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DOMINION BUREAU OF STATISTICS

CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

OPERATING RESULTS

OF

RETAIL HARDWARE STORES

IN CANADA

1938

(Hardware, furniture, appliances, radio and television chain stores; (independent) operating results

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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

Operating Results of Retail Hardware Stores in Canada, 1938

Introduction

This report is one of a series presenting average operating results in various branches of retail trade in Canada in 1938. The basic data from which the report was compiled were secured in connection with the annual survey of retail trade, conducted by the Internal Trade Branch of the Dominion Bureau of Statistics and designed primarily to provide information regarding annual trends in various kinds of business in the several provinces.

Results of the Census of Merchandising and Service Establishments for 1930, taken in connection with the last decennial census, show that there were altogether 3,001 retail hardware stores in Canada that year. Approximately 1,100 hardware stores report to the annual survey of retail trade. But many of these firms, while able to report general information such as total sales, payroll and inventories carried, are unable to furnish a breakdown of their operating expenses. Returns from 331 firms were utilized in the preparation of the operating expense analysis presented in this bulletin. The present report represents the first attempt of the Bureau of Statistics to provide an analysis of operating results for the retail trade. Such an undertaking is rendered difficult because of the lack of strict uniformity among business houses in classifying and recording expense data. For this reason the figures published here must be considered as indicators of general relationships rather than as material the absolute accuracy of which can be guaranteed.

Summary of Results

Hardware store sales for 1938 were maintained at the 1937 level, a moderate falling off in trade in the latter months of 1937 being offset by a better than usual winter business in the early months of 1938. Aggregate sales for 1,073 independent stores reporting for both years were $35,872,100 for 1937 and $35,931,800 for 1938. Results on a regional basis reveal minor gains in Quebec and the Prairie Provinces and minor losses in other districts; percentage changes in sales over the two year period for the various divisions were as follows: Maritime Provinces, -4 per cent; Quebec, +3 per cent, Ontario, -2 per cent; Prairie Provinces, +4 per cent and British Columbia, -3 per cent.

Analysis of operating results for 1938 of the 331 retail hardware stores furnishing detailed figures and included in this survey reveals an average net operating profit of 1.6 per cent of sales before making provisions for interest on own capital investment. Gross margin or profit (difference between sales and cost of goods sold) averaged 25.6 per cent of sales while operating expenses amounted to 24.0 per cent. Stocks were turned over on an average of twice during the year.

Of the 331 stores included in the survey, 204 or 62 per cent secured a profit on the year's operations, after making allowance for an imputed value of proprietors' services, while 127 or 38 per cent operated at a loss. The profitable stores secured a higher gross margin, had lower operating expenses and had a slightly higher rate of stock-turn than had the unprofitable concerns. The 204 profitable firms operated on a gross margin of 26.5 per cent, had operating expenses of 22.7 per cent resulting in a net profit of 3.8 per cent of sales and turned their stock 2.2 times during the year. On the other hand the unprofitable firms had a gross margin of 23.8

per cent, operating expenses of 26.7 per cent with a consequent net loss of 2.9 per cent and these had a stock turnover rate of 1.8 times during the year.

The proportions of profitable and unprofitable firms varied considerably for various sizes of business and for different regions of the country. When the 331 stores in all provinces are classified according to size of business it is found that 57 per cent of the stores having annual sales of less than $20,000 operated at a profit and the remainder at a loss. Sixty per cent of the stores in the $20,000 to $50,000 class secured a profit on the year's operations while amongst large stores with annual sales of $50,000 or more the ratio of profitable to total number was 76 per cent.

When the sample is classified geographically it is seen that 74 per cent of the Ontario stores secured a profit on the year's operations while corresponding proportions for other regions were 69 per cent for the Maritime Provinces and Alberta, 61 per cent for Quebec, 54 per cent for Manitoba, 51 per cent for British Columbia and 48 per cent for Saskatchewan. Interpretation of these differences must be made in the light of average sales per store which the tables show to vary considerably for different regions. A more valid examination of regional differences would entail a cross classification by provinces and size of business. Unfortunately the size of the sample is not sufficient to warrant this more detailed analysis.

General Operating Expense Analysis

In addition to reporting total figures, each firm was asked to give a breakdown of its total expenses into thirteen different items. Payroll and occupancy costs are the two large items contributing to the total expense which averaged 24.0 per cent of annual sales for the 331 stores reporting to the survey. Payroll accounted for almost 60 per cent of this figure, forming 14.0 per cent of annual sales. Included in the payroll data are salaries and wages of employees and an estimated value for the services of those proprietors who devoted the major portion of their time to their retail hardware business. The amounts attributed to these proprietors were obtained in the following way: The expense schedule asked that the number and earnings of proprietors securing a stated salary be reported. It also asked for the number of proprietors who did not draw a stated salary but whose remuneration consisted only of profits secured from the year's operations. The returns of those firms reporting proprietor's salaries were used in arriving at an average salary per proprietor for stores in different size classes. These averages were then assigned to all proprietors in each size class irrespective of whether or not stated earnings were reported. This practice leads to the classification as unprofitable of some returns whose actual figures showed a profit. On the other hand it transferred to the profitable classification some returns on which the appearance of an unduly large item for proprietors' earnings would have assigned to the unprofitable group. Average values of proprietors' services for various size classes as used in this survey are as follows:

Amount of Annual Sales	Average Salary per Proprietor
	$
Less than $10,000	700
$10,000 - 20,000	1,100
20,000 - 30,000	1,400
30,000 - 40,000	1,700
40,000 - 50,000	1,900
50,000 - 60,000	2,100
60,000 - 70,000	2,200
70,000 - 80,000	2,300
80,000 - 90,000	2,400
90,000 -100,000	2,500
100,000 and over	2,600

Advertising expenses amounted to 0.8 per cent of sales while "supplies" including wrapping paper, bags, twine, office supplies and also supplies such as gas and oil for own delivery equipment formed 1.2 per cent. Communication including telephone, telegraph and postage amounted to 0.5 per cent while bad debt losses for the year amounted to 0.9 per cent. Interest on borrowed money including mortgage interest but exclusive of any allowance for interest on own investment amounted to 0.6 per cent of sales.

Rental costs averaged 2.9 per cent of sales for stores in rented premises. The survey questionnaire contained five other items closely allied with occupancy costs and results for which are significant only when considered separately for owned and rented premises. Taxes amounted to 1.4 per cent of annual sales for stores in owned premises compared with 0.6 per cent for rented stores; insurance costs were 1.0 per cent and 0.6 per cent for the two types respectively. Costs of light, heat and power were somewhat higher for owned stores at 0.8 per cent compared with 0.6 per cent for rented premises. Amount paid for repairs and maintenance averaged 0.5 per cent of sales for owned stores and 0.3 per cent for rented stores while allowances for depreciation formed 1.3 per cent and 0.7 per cent of annual sales for the two types.

Sundry expenses, including all items which could not be allocated to any of the natural divisions listed on the schedule, averaged 0.7 per cent of annual turnover. The schedule made no special provision for services purchased such as the amounts paid to outside agencies for delivery of merchandise to consumers. All such amounts would therefore be included in sundry expenses.

Total operating expenses as shown in the tables averaged higher for rented than for owned stores, percentages of sales standing at 24.2 per cent and 23.7 per cent for the two types respectively. The higher expense ratio for rented stores must be attributed to the omission of any allowance for interest on own investment rather than to any difference in the efficiency of operation of owned and rented stores. In the case of rented premises, provision for interest on property valuation is normally considered in settling rental rates. Such interest is therefore included in rental costs and in total operating expenses of rented stores. But such amounts find no counterpart in the case of owned stores since no provision was made for interest on a firm's own capital investment.

Operating Results for Stores Classified According to Size

Gross margins and operating expenses in the retail hardware trade are higher for small than for large stores. In comparison with the average ratio of 25.6 per cent for the entire group of 331 stores, gross margin formed 26.8 per cent of sales for 142 stores each with annual sales of less than $20,000, 25.9 per cent of sales for 134 stores each with annual sales of from $20,000 to $50,000 and 24.8 per cent for a group of 55 stores each with annual sales of $50,000 or more. Total operating expenses including an estimated value for proprietors' services averaged 24.0 per cent of sales for all stores, 26.7 per cent for small units, 24.5 per cent for the middle size and 22.5 per cent for the large concerns.

Reason for the decline in gross margin percentage of sales as annual turnover increases may be found at least in part in differences in the constitution of sales or receipts for small and large concerns. Plumbing and tinsmithing repairs, in which the costs are largely for labor rather than for materials normally form a higher proportion of the total annual business for small than for large stores. Since labor costs are included in salaries and wages rather than in the cost of goods sold the net result is to produce a higher gross margin for the smaller firms. Decreased costs of doing business resulting in lower retail prices in the larger firms would also act in the same direction.

The decline in operating expenses as per cent of sales as size of store increases may be associated with differences in the type of business transacted and also with the fact that there are certain fixed charges to be met irrespective of the scale of operations carried on. In the large store the fixed charges are spread over a larger volume of sales. In particular the smaller firms are not able to utilize their staff or space requirements to the same extent as can the larger stores. Payroll averaged 14.0 per cent of sales for all stores and ranged from 15.1 per cent for units having annual sales of less than $20,000 to 13.4 per cent for large firms with $50,000 annual sales or more. Rental costs ranged from 4.4 per cent to 1.9 per cent in the same comparison. Taxes, insurance, light, heat and power, repairs and depreciation all show the tendency to decline in proportion to sales as annual turnover increases. On the other hand bad debt losses, advertising expenditures, amount paid for supplies and sundry expense increase as size of business increases. The increase in bad debt losses may reflect a more liberal credit policy in the larger firms or it may reflect a tendency to write off doubtful accounts at an earlier stage than in the smaller stores.

The larger stores were able to turn their stock at a faster rate than were the smaller units. In comparison with an average rate of twice per year for the 331 stores included in the survey rates for stores in the three size classes averaged 1.5 times for the smallest size, 2.0 times for the middle size and 2.5 times per year for the group of largest stores.

When classified according to size of business and also according to whether or not a profit was made on the years' operations the attached tables show that for all size classes profitable firms secured a higher gross margin, operated on a lower operating expense ratio and had a slightly higher rate of stock-turn than had the unprofitable stores. Payroll and occupancy expenses were higher for the unprofitable than for the profitable firms in each size class. Interest charges were higher for the unprofitable stores but in this connection it should again be noted that no provision was made in the expense analysis for interest on the firms own capital investment or net worth. Expenses for advertising bore no constant relationship to net operating results while bad debt losses were about equal for the profitable and unprofitable stores.

Regional Figures

Average results for all stores reporting indicate that net profits were secured in all economic divisions of the country. In comparison with an average net profit of 1.6 per cent of sales for the country as a whole results for the various geographical divisions show net profits of 2.5 per cent for the Maritimes, 1.0 per cent for Quebec, 2.2 per cent for Ontario, 0.9 per cent for the Prairie Provinces and 1.4 per cent for British Columbia. Ratios of number of profitable to total firms reporting in each of the various divisions have been quoted earlier in this report and were seen to range from 74 per cent in Ontario to 48 per cent in Saskatchewan. As previously stated, these regional comparisons must take into consideration the scale of operations of the firms included in the sample in the various sections of the country.

Comparison of individual expense items on a regional basis shows that advertising expenditures as percentages of hardware store sales were higher in the extreme east and west than in Central Canada or the Prairie Provinces. Ratios of advertising to sales were 1.1 per cent for the Maritime Provinces and British Columbia, 0.5 per cent for Quebec and 0.7 per cent for Ontario and the Prairie Provinces. Communication expense was constant at 0.5 per cent of sales across the country. Occupancy expenses including rents, taxes, insurance, light, heat and power, repairs and depreciation ranged from 4.0 per cent of sales in the Maritimes to 6.0 per cent in the Prairie Provinces. Bad debt losses were lowest in Ontario at 0.6 per cent and highest in the Maritime Provinces at 1.3 per cent.

EXPLANATION OF TERMS

Gross Margin

Gross margin represents the difference between net sales and the cost of goods sold which amount is obtained by adjusting purchases of goods during the year for differences between year-end inventories. That is to say, cost of goods sold equals the value of inventory at the beginning of the year, increased by the value of goods purchased and decreased by the inventory at the end of the year. Value of purchases includes the invoice value of goods bought less any returns, allowances or discounts received from manufacturers or wholesalers. The cost of goods also includes duty and inward freight, express or truckage. Outward delivery costs and other store expenses are not included.

Payroll

Payroll includes salaries, wages and commissions paid to all full-time or part-time employees including amounts paid to members of proprietors' families who serve in the capacity of employees. It also includes an imputed value for the services of proprietors who devote the major portion of their time to the business in question.

Advertising

Included in this item are all amounts paid for various types of advertising, newspaper, handbill, radio, etc.

Supplies

The amount reported under this heading includes expenditures for all supplies used in connection with the business such as wrapping paper, bags, twine, office supplies and in addition supplies such as gas and oil for the firm's own delivery equipment.

Communication

Telephone, telegraph and postage were to be reported under this heading.

Taxes

All licenses and taxes including both property and business taxes but exclusive of Dominion income taxes were to be reported here.

Insurance

Amount of premiums paid for insurance of all types carried in connection with the business was to be reported: fire, theft, plate glass, insurance on delivery equipment, etc.

Rent

Only rentals paid for premises actually used in connection with the business were to be reported.

Heat, light and power

Water rates, if paid separately from taxes, were to be included here in addition to all amounts paid for fuel, light and power.

Bad debt losses

Each firm was asked to report the amount actually written off as bad debts during the year less bad debts written off in previous years and recovered in the year in question. In some instances amounts transferred to bad debt reserves may have been reported rather than the amount actually written off.

Repairs and maintenance

This item includes amounts paid for repairs and maintenance to buildings, furniture, fixtures and store or delivery equipment. Labor costs coming through the store's own payroll were to be included in the payroll item and not in this category.

Interest

Only interest paid on borrowed money, bank, mortgage, etc. was to be reported. No allowance was made for interest on own capital investment.

Depreciation

Each firm was asked to report what it considered to be a fair charge for annual depreciation on owned buildings, furniture and store or delivery equipment. From two to five per cent is generally allowed on the cost or purchase price of buildings depending upon the type of construction. Five per cent of cost is frequently allowed on store furniture and fixtures and twenty per cent on the cost of delivery equipment.

Sundry expenses

This includes all expenses not otherwise allocated. No separate provision was made for amounts paid outside agencies for delivery to purchasers. Such amounts would normally be assigned to the sundry expense item.

Stock-turn rate

Rate of stock-turn was obtained by dividing the average of the year-end stock figures into the cost of goods sold. By this means the numerator and denominator in the ratio were brought to the same value basis. But no information is available to indicate the extent to which the average of the year-end figures may be representative of the average stock carried throughout the twelve month period. Thus while the ratios shown in the tables may be used as a basis for comparisons with individual results, their accuracy as a measure of the number of times that stock was turned over during the year cannot be guaranteed.

Table 1.--Operating Results of Hardware Stores Classified by Sales Volume and Occupancy Basis, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			Less than $20,000		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stores Reporting	331	147	184	142	66	76
Total Sales	$10,453,273	4,443,592	6,009,681	1,816,408	783,326	1,033,082
Average Sales per Store	$ 31,581	30,229	32,661	12,792	11,869	13,593
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	25.6	25.6	25.6	26.8	26.6	26.9
Expenses--						
Payroll	14.0	14.3	13.9	15.1	15.6	14.8
Advertising	0.8	0.6	0.9	0.6	0.6	0.6
Supplies	1.2	1.3	1.1	1.0	1.0	1.0
Communication	0.5	0.5	0.5	0.7	0.7	0.7
Rent	1.6	-	2.9	2.5	-	4.4
Taxes	0.9	1.4	0.6	1.3	1.8	0.9
Insurance	0.8	1.0	0.6	1.0	1.3	0.8
Light, heat and power	0.7	0.8	0.6	1.2	1.3	1.1
Repairs	0.4	0.5	0.3	0.4	0.5	0.3
Depreciation	0.9	1.3	0.7	1.2	1.6	0.9
Bad debts	0.9	0.8	0.9	0.7	0.7	0.7
Interest on borrowed money	0.6	0.6	0.5	0.6	0.7	0.6
Sundry expense	0.7	0.6	0.7	0.4	0.4	0.3
Total Expense	24.0	23.7	24.2	26.7	26.2	27.1
Net Profit or Loss	+1.6	+1.9	+1.4	+0.1	+0.4	-0.2
OTHER INFORMATION						
Stock Turnover (times per year)	2.0	2.0	2.1	1.5	1.4	1.6

Table 1.--Operating Results of Hardware Stores Classified by Sales Volume and Occupancy Basis, Canada, 1938--Cont'd.

Item	AMOUNT OF ANNUAL SALES					
	$20,000 - $50,000			$50,000 and Over		
	Total	Owned	Rented	Total	Owned	Rented
	GENERAL INFORMATION					
Number of Stores Reporting	134	55	79	55	26	29
Total Sales	$4,059,885	1,666,310	2,393,575	4,576,980	1,993,956	2,583,024
Average Sales per Store	$ 30,298	30,297	30,298	83,218	76,691	89,070
	PROFIT AND LOSS--(In percentages of sales)					
Gross Margin or Profit	25.9	25.5	26.1	24.8	25.2	24.5
Expenses--						
Payroll	14.4	14.3	14.4	13.4	13.9	12.9
Advertising	0.8	0.6	0.9	0.9	0.7	1.0
Supplies	1.1	1.1	1.0	1.3	1.5	1.1
Communication	0.5	0.5	0.5	0.4	0.4	0.4
Rent	1.9	-	3.3	1.1	-	1.9
Taxes	0.9	1.5	0.5	0.7	1.1	0.4
Insurance	0.8	1.1	0.6	0.7	0.8	0.6
Light, heat and power	0.7	0.8	0.7	0.5	0.6	0.4
Repairs	0.3	0.4	0.3	0.4	0.5	0.4
Depreciation	1.0	1.3	0.8	0.7	1.2	0.5
Bad debts	0.8	0.9	0.7	1.1	0.9	1.2
Interest on borrowed money	0.6	0.6	0.6	0.5	0.6	0.5
Sundry expense	0.7	0.6	0.7	0.8	0.6	0.9
Total Expense	24.5	23.7	25.0	22.5	22.8	22.2
Net Profit or Loss	+1.4	+1.8	+1.1	+2.3	+2.4	+2.3
	OTHER INFORMATION					
Stock Turnover (times per year)	2.0	2.0	2.0	2.5	2.3	2.7

Table 2.--Operating Results of Hardware Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			Less than $20,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	331	204	127	142	81	61
Total Sales	$10,453,273	6,938,001	3,515,272	1,816,408	1,074,496	741,912
Average Sales per Store	$ 31,581	34,010	27,679	12,792	13,265	12,162
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	25.6	26.5	23.8	26.8	28.5	24.4
Expenses--						
Payroll	14.0	13.3	15.5	15.1	13.9	17.0
Advertising	0.8	0.8	0.8	0.6	0.6	0.6
Supplies	1.2	1.0	1.4	1.0	1.0	1.0
Communication	0.5	0.5	0.6	0.7	0.7	0.8
Rent	1.6	1.4	2.1	2.5	2.1	3.0
Taxes	0.9	0.8	1.0	1.3	1.1	1.6
Insurance	0.8	0.8	0.8	1.0	1.0	1.1
Light, heat and power	0.7	0.6	0.8	1.2	1.0	1.4
Repairs	0.4	0.4	0.4	0.4	0.4	0.4
Depreciation	0.9	0.9	1.0	1.2	1.1	1.2
Total occupancy costs (1)	5.3	4.9	6.1	7.6	6.7	8.7
Bad debts	0.9	1.0	0.8	0.7	0.8	0.7
Interest	0.6	0.5	0.8	0.6	0.3	1.0
Sundry expense	0.7	0.7	0.7	0.4	0.4	0.4
Total Expense	24.0	22.7	26.7	26.7	24.4	30.2
Net Profit or Loss	+1.6	+3.8	-2.9	+0.1	+4.1	-5.8
OTHER INFORMATION						
Stock Turnover(times per year)	2.0	2.2	1.8	1.5	1.6	1.3

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 2.--Operating Results of Hardware Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938--(Cont'd.)

Item	AMOUNT OF ANNUAL SALES					
	$20,000 - $50,000			$50,000 and over		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	134	81	53	55	42	13
Total Sales	$4,059,885	2,408,569	1,651,316	4,576,980	3,454,936	1,122,044
Average Sales per Store	$ 30,298	29,735	31,157	83,218	82,260	86,311
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	25.9	27.1	24.0	24.8	25.4	23.1
Expenses--						
Payroll	14.4	13.5	15.4	13.4	12.8	14.8
Advertising	0.8	0.7	0.9	0.9	0.9	0.7
Supplies	1.1	1.0	1.2	1.3	1.1	2.0
Communication	0.5	0.5	0.5	0.4	0.4	0.6
Rent	1.9	1.7	2.3	1.1	1.0	1.1
Taxes	0.9	0.9	0.9	0.7	0.7	0.8
Insurance	0.8	0.8	0.9	0.7	0.7	0.7
Light, heat and power	0.7	0.7	0.8	0.5	0.5	0.4
Repairs	0.3	0.3	0.4	0.4	0.5	0.3
Depreciation	1.0	1.1	0.9	0.7	0.8	0.9
Total occupancy costs (1)	5.6	5.5	6.2	4.1	4.2	4.2
Bad debts	0.8	0.8	0.8	1.1	1.2	0.8
Interest	0.6	0.4	0.8	0.5	0.5	0.6
Sundry expense	0.7	0.5	0.9	0.8	0.8	0.6
Total Expense	24.5	22.9	26.7	22.5	21.9	24.3
Net Profit or Loss	+1.4	+4.2	-2.7	+2.3	+3.5	-1.2
OTHER INFORMATION						
Stock Turnover (times per year)	2.0	2.0	1.9	2.5	2.5	2.4

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Hardware Stores, Classified by Provinces and Net Profit or Loss, 1938

Item	CANADA			MARITIME PROVINCES		
	Total	Profitable	Unprofitable	Total	Pfofitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	331	204	127	16	11	5
Total Sales	$10,453,273	6,938,001	3,515,272	975,573	762,082	213,491
Average Sales per Store	$ 31,581	34,010	27,679	60,973	69,280	42,698
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	25.6	26.5	23.8	24.5	25.0	23.0
Expenses--						
Payroll	14.0	13.3	15.5	12.6	11.9	15.5
Advertising	0.8	0.8	0.8	1.1	1.2	0.7
Supplies	1.2	1.0	1.4	1.2	1.0	2.0
Communication	0.5	0.5	0.6	0.5	0.4	0.6
Rent	1.6	1.4	2.1	0.9	0.9	0.9
Taxes	0.9	0.8	1.0	0.8	0.8	1.0
Insurance	0.8	0.8	0.8	0.7	0.6	1.0
Light, heat and power	0.7	0.6	0.8	0.5	0.4	0.6
Repairs	0.4	0.4	0.4	0.5	0.6	0.3
Depreciation	0.9	0.9	1.0	0.6	0.5	0.9
Total occupancy costs (1)	5.3	4.9	6.1	4.0	3.8	4.7
Bad debts	0.9	1.0	0.8	1.3	1.5	0.7
Interest	0.6	0.5	0.8	0.5	0.5	0.5
Sundry expense	0.7	0.7	0.7	0.8	1.0	0.1
Total Expense	24.0	22.7	26.7	22.0	21.3	24.8
Net Profit or Loss	+1.6	+3.8	-2.9	+2.5	+3.7	-1.8
OTHER INFORMATION						
Stock Turnover (times per year)	2.0	2.2	1.8	2.7	3.3	1.6

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Hardware Stores, Classified by Provinces and Net Profit or Loss, 1938--(Cont'd.)

Item	QUEBEC			ONTARIO		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	38	23	15	87	64	23
Total Sales	$1,519,048	992,788	526,260	3,367,314	2,380,473	986,841
Average Sales per Store	$ 39,975	43,165	35,084	38,705	37,195	42,906
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	25.9	27.0	23.7	26.3	26.7	25.2
Expenses--						
Payroll	14.2	14.0	14.5	15.1	14.3	17.4
Advertising	0.5	0.5	0.4	0.7	0.7	0.7
Supplies	1.8	1.4	2.5	1.0	0.9	1.2
Communication	0.5	0.5	0.5	0.5	0.4	0.6
Rent	1.6	1.5	1.8	1.8	1.6	2.4
Taxes	1.0	0.9	1.3	0.8	0.7	0.9
Insurance	0.7	0.6	1.0	0.6	0.6	0.7
Light, heat and power	0.7	0.7	0.8	0.6	0.5	0.6
Repairs	0.4	0.4	0.4	0.4	0.4	0.4
Depreciation	1.3	1.3	1.2	0.9	1.0	0.8
Total occupancy costs (1)	5.7	5.4	6.5	5.1	4.8	5.8
Bad debts	0.9	0.9	0.7	0.6	0.6	0.7
Interest	0.5	0.4	0.8	0.5	0.5	0.4
Sundry expense	0.8	0.9	0.5	0.6	0.5	0.7
Total Expense	24.9	24.0	26.4	24.1	22.7	27.5
Net Profit or Loss	+1.0	+3.0	-2.7	+2.2	+4.0	-2.3
OTHER INFORMATION						
Stock Turnover (times per year)	1.9	1.9	1.9	2.0	2.1	1.8

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Hardware Stores, Classified by Provinces and Net Profit or Loss, 1938--(Cont'd.)

Item	MANITOBA			SASKATCHEWAN		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	28	15	13	63	30	33
Total Sales	$ 781,458	488,724	292,734	1,235,486	696,153	539,333
Average Sales per Store	$ 27,909	32,582	22,518	19,611	23,205	16,343
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	23.8	24.2	22.9	26.4	28.5	23.6
Expenses--						
Payroll	13.1	11.9	15.1	14.6	13.7	15.6
Advertising	0.5	0.5	0.6	0.9	0.9	0.9
Supplies	1.0	0.9	1.0	0.9	0.9	1.0
Communication	0.5	0.4	0.6	0.5	0.5	0.5
Rent	1.7	1.8	1.7	1.7	1.3	2.1
Taxes	0.7	0.6	0.7	1.6	1.6	1.7
Insurance	0.8	0.9	0.6	1.0	1.0	1.1
Light, heat and power	0.8	0.8	0.8	1.1	0.9	1.3
Repairs	0.2	0.2	0.1	0.4	0.4	0.4
Depreciation	1.0	1.0	0.9	1.2	1.2	1.1
Total occupancy costs (1)	5.2	5.3	4.8	7.0	6.4	7.7
Bad debts	0.8	0.9	0.8	0.9	1.3	0.6
Interest	0.6	0.6	0.6	0.8	0.5	1.1
Sundry expense	1.0	0.5	1.9	0.6	0.6	0.6
Total Expense	22.7	21.0	25.4	26.2	24.8	28.0
Net Profit or Loss	+1.1	+3.2	-2.5	+0.2	+3.7	-4.4
OTHER INFORMATION						
Stock Turnover (times per year)	2.6	2.8	2.4	1.6	1.7	1.5

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Hardware Stores, Classified by Provinces and Net Profit or Loss, 1938--(Cont'd.)

Item	ALBERTA			BRITISH COLUMBIA		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	56	39	17	43	22	21
Total Sales	$1,290,549	971,991	318,558	1,283,845	645,790	638,055
Average Sales per Store	$ 23,046	24,923	18,739	29,857	29,354	30,384
PROFIT AND LOSS--(In percentages of Sales)						
Gross Margin or Profit	24.0	24.7	22.0	25.9	28.5	23.4
Expenses--						
Payroll	12.6	12.1	14.0	13.7	12.6	14.7
Advertising	0.7	0.8	0.5	1.1	1.0	1.3
Supplies	0.8	0.9	0.8	1.5	1.6	1.5
Communication	0.5	0.5	0.6	0.6	0.5	0.7
Rent	1.6	1.5	2.1	1.8	1.2	2.4
Taxes	0.9	0.8	1.0	0.6	0.6	0.5
Insurance	1.0	0.9	1.1	0.9	1.1	0.7
Light, heat and power	0.8	0.7	1.1	0.7	0.6	0.8
Repairs	0.2	0.2	0.3	0.5	0.7	0.3
Depreciation	0.8	0.7	1.0	0.9	0.9	0.9
Total occupancy costs (1)	5.3	4.8	6.6	5.4	5.1	5.6
Bad debts	1.3	1.4	1.0	0.8	0.7	1.0
Interest	0.7	0.4	1.5	0.7	0.4	0.9
Sundry expense	0.5	0.5	0.4	0.7	0.7	0.6
Total Expense	22.4	21.4	25.4	24.5	22.6	26.3
Net Profit or Loss	+1.6	+3.3	-3.4	+1.4	+5.9	-2.9
OTHER INFORMATION						
Stock Turnover (times per year)	1.9	2.0	1.7	2.3	2.5	2.1

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

Table 3.--Operating Results of Hardware Stores, Classified by Provinces and Net Profit or Loss, 1938--(Cont'd.)

Item	PRAIRIE PROVINCES		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	147	84	63
Total Sales	$3,307,493	2,156,868	1,150,625
Average Sales per Store	$ 22,500	25,677	18,264
	PROFIT AND LOSS--(In percentages of Sales)		
Gross Margin or Profit	24.8	25.8	23.0
Expenses--			
Payroll	13.4	12.6	15.1
Advertising	0.7	0.8	0.7
Supplies	0.9	0.9	0.9
Communication	0.5	0.5	0.5
Rent	1.7	1.5	2.0
Taxes	1.1	1.0	1.3
Insurance	1.0	1.0	1.0
Light, heat and power	0.9	0.8	1.1
Repairs	0.3	0.2	0.3
Depreciation	1.0	0.9	1.0
Total occupancy costs (1)	6.0	5.4	6.7
Bad debts	1.0	1.2	0.7
Interest	0.7	0.5	1.1
Sundry expense	0.7	0.5	0.9
Total Expense	23.9	22.4	26.6
Net Profit or Loss	+0.9	+3.4	-3.6
	OTHER INFORMATION		
Stock Turnover (times per year)	1.9	2.0	1.7

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs; e.g.: business taxes.

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CANADA

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 1

INDEPENDENT HARDWARE STORES

INDEPENDENT FURNITURE STORES

INDEPENDENT HOUSEHOLD APPLIANCE AND RADIO STORES

Including

Purpose, Importance, Explanation of Use, Summary of Results,
and
Statistical Tables

OTTAWA
1946

Price 25 cents

FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

H. Marshall,
Dominion Statistician.

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OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census, accounting for 55 per cent of total sales of $3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

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results. In the first instance, it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are strictly so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly $150,000,000 in 1941 and nearly $200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards

of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are appraising the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased

wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and sales of $50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of

organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of many individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of

these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Costs

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales-average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock

turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply-demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line

with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs and services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or 33-1/3 per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts also tends to reduce the gross trading profit percentage. Such discounts, although representing

a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group,- in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older. This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested

for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone; on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio still appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference btween the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for

managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - HARDWARE STORES

Trends by Size of Business, 1944.

Figures for stock turnover in times per year, ranging between a low of 1.6 and a high of 3.7 times during 1944, rose for both owned and rented stores as the size of business increased. This, of course, is to be expected because even a relatively small sales volume will require a fairly complete and balanced stock of merchandise for efficient retailing; and once established, this inventory will service a larger sales volume before increased basic stocks of goods become necessary. The increase in stock turnover was generally uniform except for a levelling off at 2.7 times per year for rented stores in the $10,000 to $20,000 and the $20,000 to $30,000 sales-size groups, and for owned stores at 3.7 times in the $30,000 to $50,000 and $50,000 and over classifications. The upward trend, however, was in evidence in the other size categories for rented stores and was confirmed by the steady upward movement to be noted in the figures for owned hardware outlets.

The fact that hardware stores require sizable investments of capital in stocks of merchandise is adequately demonstrated in the figures shown in Table 1 for average inventories per store at the end of 1944. Even in the smallest size-of-business classification, the average end-of-year stocks amounted to $3,570 for owned and $2,510 for rented stores. Beyond that point stocks moved up sharply and consistently with increases in size of business, amounting to averages of $18,655 and $18,999 per store for owned and rented establishments in the $50,000 and over sales-size category. Total inventories at the end of 1944 reported for most sales and occupancy classes of stores were somewhat larger than the total value of inventories reported at the beginning of the year. Whether these increases resulted from an expansion in the quantities of merchandise carried or alternatively were due to changes in the commodity and price compositions of the inventories, however, cannot be determined because in most instances the relative gains were too small for accurate conclusions to be drawn from the figures.

Average percentages of gross trading profit for the ten size and occupancy groups into which the reports of the 161 co-operating hardware stores were classified ranged between a low of 21.2 per cent and a high of 32.1 per cent of total net sales in 1944. The most common averages for gross trading profits varied between 24.6 and 26.8 per cent of sales with five of the ten averages being found within these limits.

The highest gross trading profit averages for both owned and rented stores appeared in the smallest size-of-business classification consisting of stores with sales of less than $10,000 in 1944. This is probably due in considerable measure to the fact that the smaller stores found it profitable to supplement their normal earnings with additional gross receipts derived from the provision of repair and other services. Such receipts are included in sales but having comparatively no counterpart in cost of merchandise sold thus raise the percentage of gross trading profit. Reflecting probably a relatively greater concentration on trading activities, however, the percentage averages for the next larger size classification dropped to 21.2 per cent for owned and to 25.4 per cent of sales for rented stores.

Apart from the above, no conclusive tendencies were found for gross trading profits to vary either directly or inversely with sales volume. It is true that gross profits for owned stores rose step by step from the low of 21.2 per cent of sales in the $10,000 to $20,000 size group to 26.4 per cent for stores with sales of $50,000 and over, but the number of stores was small in each of these

categories. For rented stores, where the numbers were generally larger, the gross profit averages were considerably more erratic, rising from 25.4 per cent in the $10,000 to $20,000 sales bracket to the secondary high of 28.3 per cent in the $20,000 to $30,000 group, then receding to 24.6 per cent in the $30,000 to $50,000 classification, and rising to 26.2 per cent for stores with sales of $50,000 or over in 1944.

Among the operating expenses, average employees' salaries and wages ranged from a low of 1.9 to a high of 7.9 per cent of total sales in 1944 for the ten size and occupancy classifications into which the reports of the 161 co-operating stores were classified. Such ratios were higher in the under $10,000 sales bracket for both the owned and the rented stores than for the two classes of stores included in the $10,000 to $20,000 group. This presumably means that stores in the smaller size bracket were performing more services on a charge basis, such as repair work, than were outlets in the next larger size-of-business category -- a conclusion supported by the fact that the gross trading profit percentages were also higher for the under $10,000 group of stores.

In spite of these variations, however, there is a clear tendency for the salary and wage percentages to increase as the size of business becomes larger. For both owned and rented stores, the averages reached their highest points in the $50,000 and over sales groups at 6.8 and 7.9 per cent of sales; and, in addition, there is an irregular upward progression for owned stores and a consistent increase for rented stores from the $10,000 to $20,000 to the largest size classification. This movement also conforms with a similar trend evident in the results of the 1941 Census of Merchandising where the average salary and wage ratios for 2,195 hardware stores increased steadily as the size-of-business became larger. Such a trend probably means that increases in number of sales transactions and in the expanding activities associated with purchasing, inventory management and control and with record-keeping require greater shares of the merchant's sales dollar for salaries and wages as total sales expand; it also reflects the decreasing relative importance of the proprietor's clerical services in relation to the total selling personnel. The importance of maintaining control of the salary and wage expense and of obtaining a high level of sales production from store staffs is also clearly indicated for in many of the groups salary and wage expenses form upwards of a third of the total expenses of the reporting stores.

Rent, unlike salaries and wages, is obviously a fixed and uncontrollable expense once the lease has been negotiated; and while the rental cost may be based in part on the sales potential of the location it becomes in practice at least partially independent of the sales volume the merchant is able to obtain. It is therefore to be expected that rental expenses as percentages of total sales will become steadily smaller as business expands. This is clearly shown in Table 1 where the rental expense dropped from 4.8 per cent of sales in the under $10,000 sales bracket to a low of 1.5 per cent for reporting stores with annual volumes of $50,000 and over in 1944.

Advertising expenses remained uniformly low for all sales and occupancy groups of hardware stores in the year under review, varying between a low of 0.1 and a high of 0.5 per cent of sales. No marked tendency is apparent for this expense to vary with sales although in the survey of operating costs made by the Bureau for 1938 such a trend was moderately in evidence. It is quite likely that wartime conditions of high demand and restricted supplies are responsible in considerable degree for both the smallness of this expense and the lack of a trend relationship between the percentages for advertising expenses and the different sizes of business.

Depreciation allowances ranged between outside limits of 0.4 and 1.4 per cent of total sales for the ten sales and occupancy groups of stores. The percentages for both owned and rented stores, moreover, were highest for establishments in the two smallest sales-size classifications. These of course require reasonably complete complements of equipment which once installed will service considerably larger sales volumes. Beyond these two sales categories, a tendency is apparent for the depreciation percentages of rented stores to decrease as the size of business grows; the reverse, however, is true of owned stores but too much significance should not be attached to this contra-movement in view of the small numbers of owned stores classified into these sales categories.

Other operating expenses, the last individual expense item shown in Table 1, varied between a low of 4.4 and a high of 9.1 per cent of total sales for the ten sales and occupancy classifications. Possibly due to the variety of individual expenses this item included, no conclusive trend was apparent for such expense ratios to vary consistently either directly or inversely with sales. For owned stores the expense percentage generally declined as the sales volume rose, but for rented stores no significant decreases in the percentage occurred until the two largest size categories were reached where lower averages appeared.

Total operating expenses, consolidating the results just described, ranged from a low of 10.4 to a high of 16.0 per cent of total sales for the ten groups of stores. Such expenses for both owned and rented stores were highest in the under $10,000 group, being due in the case of owned stores to the relatively high percentage for other operating expenses, and mainly to the rentals ratio in the case of rented outlets. The total expense ratios, similarly for both owned and rented establishments, were lowest for stores in the $10,000 to $20,000 sales group with ratios of 10.4 and 13.2 per cent of sales, resulting in both instances mainly from the fact that the salary and wage percentages were lowest in this category. Thereafter the trend moved irregularly upward.

As percentages of total sales, proprietor's net earnings before income taxes and withdrawals varied between the comparatively wide limits of 10.8 and 16.1 per cent of sales. Six of the ten ratios, however, were concentrated within the narrower range of from 11.1 to 13.2 per cent of total sales. Net earnings ratios were again highest in the smallest sales bracket for both types of stores but no consistent tendencies for the net earnings' percentages to vary directly or indirectly with size of business were in evidence in the remaining groups.

Expressed in dollars, average proprietor's net earnings per store moved steadily upward as the size of business increased. Average net earnings per store for the less than $10,000 sales group were somewhat under the $1,200 level for both owned and rented stores; were $1,500 and $1,926 per store for owned and rented stores in the $10,000 to $20,000 sales group; $3,032 and $3,182 for the $20,000 to $30,000 category; $4,663 and $4,344 in the $30,000 to $50,000 classification; and amounted to the considerably larger figures of $13,156 and $10,741 per owned and rented store for outlets with volumes of $50,000 and over in 1944.

These figures on net earnings per store theoretically at least include the rewards for the regular managerial services of the proprietor and the profits which cover the interest on the capital invested and risked in the store. Both elements naturally tend to increase as the size of the business expands for greater responsibilities are involved and larger amounts of capital are required. The substantial gain in net earnings per store between the $30,000 to $50,000 and the $50,000 and over classifications, although due to the considerable expansion in average sales from about $39,000 to over $93,000 per store in the two groups, is

consequently a reflection of increase in the weighting of these two elements which are contained in net earnings. In this respect it may be noted that the capital invested in ending inventories alone increased from a rough average of about $9,000 per store in the $30,000 to $50,000 class to nearly $19,000 per store for owned and rented in the largest size-of-business bracket, thus representing considerably larger sums from which returns on invested capital could properly be expected.

Results of Owned and Rented Stores in 1944 Compared.

By way of further summary a few of the outstanding differences between the operating results of owned and rented hardware stores may be noted here. Stock turnover ratios of owned stores were somewhat lower than those of rented stores in the two smallest size-of-business classes, higher in the next two size groups, and the same as rented stores in the $50,000 and over sales category. Average ending inventories per store were higher for owned outlets in the two smaller sizes but were somewhat smaller than rented stores in the last three size groups.

Owned hardware stores also differed in respect to rates of gross trading profit obtained in 1944, with percentages in the four smaller size classifications being lower than those recorded by their rented counterparts. In the first three of these the spread ranged between a low of 4.2 and a high of 5.3 percentage points but dropped to a difference of only 1.1 points in the $30,000 to $50,000 group. On the other hand, there was practically no difference in the $50,000 and over category between the gross profit percentages of owned and rented stores, where both ratios amounted to slightly over 26 per cent of sales.

Paralleling the lower gross profit percentages, the total expense ratios of owned stores were less than those of rented establishments in all five size-of-business divisions. Here again the spreads were greatest in the three smaller size classifications where variations of 3.2, 2.8 and 3.9 percentage points were recorded, thereafter dropping to differences of 1.9 and 2.2 points in favor of owned stores in the two larger categories. These differences, however, were not sufficient to offset the lower percentages of gross trading profit with the result that the net earnings ratios of owned stores were 2.1, 1.4 and 1.2 percentage points lower than for rented outlets in the three size categories. Owned stores in the two larger sizes of business were somewhat more profitable, their net earnings' ratios being 0.8 and 2.4 percentage points greater than the averages for rented stores.

Among the individual expense items, owned stores in all sales-size groups had lower ratios for salaries and wages than those of rented stores. These differences were greatest in the two smallest groups with spreads of 2.8 and 2.4 percentage points, almost disappeared in the $20,000 to $30,000 sales bracket, and then widened to 1.1 points in favour of owned stores in each of two largest sales sizes. Depreciation expenses, on the other hand, with the exception of averages for the $20,000 to $30,000 size group, were higher for owned stores, a reflection of the greater capital which was invested in the fixed assets of such outlets. All other operating expenses, again with the exception of the $20,000 to $30,000 category were also higher for the owned stores with the greatest spreads being found in the two smallest sales classifications. Here the differences may be a partial reflection at least of the residual occupancy costs such as taxes, insurance, repairs, interest on borrowed capital, etc., which were included in the other expenses of owned stores, but which naturally tend to be included in the rental expenses of the rented stores.

Operating Results of Continuing Stores in 1941 and 1944 Compared.

Table 2 in this section presents figures on the operating results obtained by the sample of hardware stores reporting for both 1941 and 1944. Of the 161 stores whose reports were used in Table 1 for the 1944 statistics, however, only 103 were able to give figures for 1941 as well. The sales-size classifications appearing in Table 2 have therefore been widened and reduced in number to three groups to permit a sufficient number of stores to be included in each individual category. For this table, moreover, each store has been assigned to a size-of-business classification determined entirely by its sales in 1941 and irrespective of the amount of business transacted in 1944. In this manner, the operating results obtained by identical stores in 1941 and 1944 can be compared and, so far as the size of the sample will permit, the trends during this wartime period can be determined.

A glance at the table will reveal that both the owned and rented stores in each size classification recorded substantial increases in sales between 1941 and 1944. These gains, in fact, amounted to about 44 and 66 per cent for owned and rented stores in the under $20,000 sales class, to 37 and 50 per cent in the $20,000 to $50,000 category, and to 24 per cent for rented stores with 1941 sales of $50,000 and over. According to the Bureau's monthly indexes of retail sales, however, the sales of hardware stores in 1944 were only 20.3 per cent above the 1941 level. It is probable therefore that the sales gains shown in Table 2 include many stores whose experiences on average were not typical of the trade -- particularly since the monthly index of hardware store sales represents a considerably larger sample of stores than that on which Table 2 is based.

Reflecting in part the substantial sales increases of the reporting stores between 1941 and 1944, the rates of stock turnover moved up considerably. This trend moreover was consistent for both owned and rented stores in each size of business. During 1941, the five series of turnover ratios varied between 1.6 and 2.9 times per year, of which three ranged from 1.6 to 1.9; in 1944, the extreme range was between 2.4 and 3.9, with three of them varying from a low of 3.0 to a high of 3.5 times per year. These increases were also due to a relative stability in the year-end inventories for 1941 and 1944 reported by the co-operating stores. Indeed the average inventories per store at the end of 1944 for owned and rented stores in the under $20,000 sales group varied from their 1941 levels by only $144 and $124 respectively, by $400 and $891 in the $20,000 to $50,000 sales size, and by $2,909 per store for rented stores in the $50,000 and over category.

Average gross trading profit ratios for the 103 reporting stores in 1944 were not greatly changed from their 1941 levels, the five average gross profit percentages ranging from a low of 23.4 to a high of 27.9 per cent of sales in 1941 while in 1944 the overall variation was between 23.1 and 26.1 per cent of sales. The three percentages most closely together in 1941, however, varied between 23.4 and 24.4 per cent of sales, while in 1944 the three most closely grouped ratios were found between the outside limits of 25.3 and 25.9 per cent of total sales for a slightly higher level of gross trading profits.

Total operating expense ratios, on the other hand, were consistently lower in 1944 than in 1941 for all five of the owned and rented classifications. During 1941 these ratios ranged between a low of 12.8 and a high of 17.7 per cent with the three middle percentages varying between 16.0 and 16.6 per cent of sales; in 1944, however, the outside limits were represented by ratios of 10.1 and 16.8 per cent, while the three middle ones stood at 13.7, 13.8 and 14.1 per cent of sales.

As a result of the comparatively stable ratio of gross trading profit

and the uniformly lower ratios for total operating expenses, the percentages for proprietor's net earnings before income taxes and withdrawals were all higher in 1944 than in 1941. In the earlier year, it may be noted, the average percentages for net earnings ranged between a low of 6.7 and 11.3 per cent of sales, while in 1944 the outer limits stood at 8.9 and 13.0 per cent of the dollar volume. The three middle ratios for net earnings also indicated the upward trends apparent in the five series, forming 7.4, 9.6 and 10.8 per cent of sales in 1941 and the higher figures of 11.5, 11.8 and 12.4 per cent of sales in 1944.

Among the various kinds of operating expenses, salaries and wages in all but one instance -- that of rented stores with 1941 sales volume of $50,000 or more -- formed a smaller percentage of total sales in 1944 than in 1941. Declines in the expense ratio, however, were largest for both owned and rented stores in the under $20,000 group where the ratios for the two classes of stores dropped from 3.8 to 3.2 and from 5.5 to 4.8 per cent of sales, respectively. Owned and rented stores in this group, it will be noted, had average sales of $9,591 and $11,912 per store in 1941 and of $13,781 and $19,826 per outlet in the more recent year. These increases in sales presumably enabled many of the stores in this category to handle the increase in business without adding proportionately to their sales staffs. Sizable increases in sales were also experienced by owned and rented stores in the $20,000 to $50,000 sales bracket but here the decreases in the salary and wage ratios were relatively somewhat less, suggesting the presence of either some enlarged sales staffs of part-time or full-time employees, or the distribution of greater payrolls to maintained staffs. Some at least of the 12 rented stores in the $50,000 and over classification may have found it necessary to increase their store staffs for the average payroll ratio rose from 8.4 to 9.1 per cent of sales while their average sales expanded from $76,206 per store in 1941 to $94,650 in the later year.

Rent expense, being a fixed dollar outlay, dropped sharply in all sales classifications due, of course, to the substantial increase in the volume of business transacted. In 1941 the rentals percentage ranged inversely with the size of business between a low of 1.6 and a high of 3.8 per cent of sales, while by 1944 the range had narrowed and dropped to the lower ratios of 1.5 and 2.4 per cent of sales. Advertising, a controllable expense on the other hand, was low in each of the two years at 0.6 per cent or less for both owned and rented stores and showed very little change between the two years.

Depreciation allowances, again relatively fixed in nature, were all lower as percentages of sales in 1944, due in considerable measure to the expanded sales volume which in contrast to 1941 was transacted in the more recent year. Reflecting the greater investment of capital in owned store properties, moreover, the depreciation expense ratios for such establishments were higher than those recorded by rented stores in the same year and size-of-business classifications.

Other operating expenses comprising both fixed and controllable types of expenses were also consistently smaller in 1944 in all sales-size classifications, varying from the outside range of 5.4 and 7.5 per cent of sales in 1941 to the lower extreme range of 4.1 and 5.7 per cent of sales in 1944. Resulting from the proper inclusion of certain types of occupancy expenses attaching to owned stores, such as property taxes, etc., these outlets again had uniformly higher ratios for operating expense than those experienced by the rented hardware stores.

Table 1.--Hardware Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	16	8	15	28
2. Total Sales	$118,849	$57,308	$207,871	$441,1[illegible]
3. Average Sales Per Store	7,428	7,164	13,858	15,757
Total Inventory Reported,				
4. Beginning of Year	50,046	18,794	75,025	114,218
5. End of Year	57,126	20,079	78,945	128,630
6. Average for Year	53,586	19,437	76,985	121,424
Average Inventory Per Store,				
7. End of Year	3,570	2,510	5,263	4,594
8. Cost of Goods Sold	86,997	38,912	163,802	329,130
9. Stock Turnover (times per year) ..	1.6	2.0	2.1	2.7
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	26.8	32.1	21.2	25.4
Operating Expenses:				
11. Employees' Salaries and Wages ..	2.2	5.0	1.9	4.3
12. Rent	-	4.8	-	2.5
13. Advertising	0.1	0.2	0.4	0.3
14. Depreciation	1.4	0.7	1.2	0.7
15. Other Operating Expenses	9.1	5.3	6.9	5.4
16. Total Operating Expenses	12.8	16.0	10.4	13.2
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	14.0	16.1	10.8	12.2
18. Average Proprietor's Net Earnings Per Store	$1,042	$1,152	$1,500	$1,926

Table 1.--Hardware Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
9	19	14	17	11	24	1.
$226,567	$458,661	$550,612	$665,723	$1,043,367	$2,234,583	2.
25,174	24,140	39,329	39,160	94,852	93,108	3
53,027	123,468	109,691	150,539	215,122	437,732	4.
57,508	123,875	118,632	159,662	205,206	455,983	5.
55,268	123,671	114,162	155,100	210,164	446,858	6.
6,390	6,520	8,474	9,392	18,655	18,999	7.
174,003	328,860	421,218	501,955	767,918	1,649,122	8.
3.1	2.7	3.7	3.2	3.7	3.7	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
23.2	28.3	23.5	24.6	26.4	26.2	10.
5.6	5.7	5.1	6.2	6.8	7.9	11.
-	2.8	-	1.9	-	1.5	12.
0.2	0.3	0.3	0.3	0.4	0.5	13.
0.5	0.6	0.7	0.4	0.8	0.4	14.
4.9	5.7	5.5	4.7	4.5	4.4	15.
11.2	15.1	11.6	13.5	12.5	14.7	16.
12.0	13.2	11.9	11.1	13.9	11.5	17.
$3,032	$3,182	$4,663	$4,344	$13,156	$10,741	18.

Table 2.--Hardware Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	25	32	25	32
2. Total Sales	$239,779	$381,194	$344,516	$634,444
3. Average Sales Per Store	9,591	11,912	13,781	19,826
Total Inventory Reported,				
4. Beginning of Year	109,375	134,351	105,956	151,266
5. End of Year	116,835	152,920	113,225	156,903
6. Average for Year	113,105	143,636	109,591	154,085
Average Inventory Per Store,				
7. End of Year	4,673	4,779	4,529	4,903
8. Cost of Goods Sold	183,191	274,841	264,933	468,854
9. Stock Turnover (times per year)	1.6	1.9	2.4	3.0
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	23.6	27.9	23.1	26.1
Operating Expenses;				
11. Employees' Salaries and Wages	3.8	5.5	3.2	4.8
12. Rent	-	3.8	-	2.4
13. Advertising	0.3	0.3	0.2	0.3
14. Depreciation	1.2	0.7	1.0	0.6
15. Other Operating Expenses	7.5	6.3	5.7	5.6
16. Total Operating Expenses	12.8	16.6	10.1	13.7
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals	10.8	11.3	13.0	12.4
18. Average Proprietor's Net Earnings Per Store	$1,041	$1,354	$1,794	$2,449

Table 2.--Hardware Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
12	20	12	20		12		12	1.
$366,364	$586,717	$502,060	$882,050	SAMPLE	$914,468	SAMPLE	$1,135,805	2.
30,530	29,336	41,838	44,103		76,206		94,650	3.
106,829	217,491	102,788	209,936	TOO	220,145	TOO	217,381	4.
114,142	228,664	111,116	210,835		249,901		214,990	5.
110,486	223,078	106,952	210,386		235,023		216,186	6.
9,512	11,433	9,912	10,542	SMALL	20,825	SMALL	17,916	7.
280,635	432,997	372,026	658,891		691,338		843,903	8.
2.5	1.9	3.5	3.1		2.9		3.9	9.
PROFIT AND LOSS DATA (Items Expressed as Percentages of Sales)								
23.4	26.2	25.9	25.3		24.4		25.7	10.
7.5	7.3	7.4	6.9	SAMPLE	8.4	SAMPLE	9.1	11.
-	3.1	-	2.1		1.6		1.5	12.
0.3	0.4	0.3	0.4		0.6		0.5	13.
1.2	0.4	0.7	0.3	TOO	0.6	TOO	0.5	14.
7.0	5.4	5.7	4.1		6.5		5.2	15.
16.0	16.6	14.1	13.8	SMALL	17.7	SMALL	16.8	16.
7.4	9.6	11.8	11.5		6.7		8.9	17.
$2,276	$2,816	$4,944	$5,081		$5,113		$8,434	18.

PART III - FURNITURE STORES

Trends by Size of Business, 1944.

Some 120 usable reports on operating results were received from the survey of a sample group of furniture stores for the calendar year 1944. This relatively small sample was classified into the five regular size-of-business categories and these were then broken down by method of occupancy into owned and rented stores. Owned stores in the sample, however, were relatively less numerous than rented establishments and it was found that the number of reports for owned stores in three of the sizes of business were too small to justify the publication of average figures. Statistics on operating results are therefore shown for the five size groups of rented stores and for two categories, that is, the $10,000 to $20,000 and the $20,000 to $30,000 size intervals for owned stores. In all, a total of 110 usable reports form the basis for the seven series of operating cost figures which appear in the five size groups of rented and the two size categories of owned stores.

The seven average stock turnover ratios for furniture stores ranged between a low of 2.5 and 4.5 times per year in 1944, being lowest for rented stores in the $10,000 to $20,000 sales bracket and highest for owned outlets in the $20,000 to $30,000 size of business. Examination of the table will also reveal the absence of any clear tendency for the stock turn to become faster as the size of business increased. Thus, moving from the smallest through to the largest size-of-business groups of rented stores, the stock turnover in the less than $10,000 sales category stood at 4.0, then dropped to 2.5 times, rose to 3.6, again decreased to 2.8 and rose to 3.0 times in the $50,000 and over classification. These variations may quite possibly reflect in part the erratic experiences of some stores which were included in the sample. Too much weight should therefore not be given to the ratio of 4.0 times recorded by furniture stores in the less than $10,000 sales classification because only 7 reports form the basis for this average. A somewhat similar situation is also found in the $20,000 to $30,000 sales size where the average of the slightly larger sample of 11 stores amounted to 3.6 stock turns in 1944.

At least a partial explanation for these variations in the stock turnover of rented stores, however, may be drawn from the statistics which appear in the table. Thus the relatively high turnover average for the 7 stores in the less than $10,000 group may indicate that at least some of these stores used somewhat incomplete stocks of merchandise in obtaining their sales volumes for the average inventory amounted to only $1,236 per store at the end of 1944. As the reporting stores approached a more normal sales size, larger and more complete inventories of salable goods apparently were required. These stocks while necessary for stores in the $10,000 to $20,000 sales group could also support, with moderate expansion, a still larger volume of business. In this connection then, it will be noted that while year-end inventories more than tripled from $1,236 per store in the smallest to $4,316 in the $10,000 to $20,000 size of business, average sales per store only doubled, the two factors accounting for the drop from 4.0 to 2.5 in the stock turnover ratio. Between the $10,000 to $20,000 and the $20,000 to $30,000 classification, average ending inventories per store gained only by roughly 25 per cent to $5,284 per store against an increase in average store sales of about 70 per cent, a combination of changes mainly responsible for the sharp rise from 2.5 to 3.6 in stock turnover. From this point, average year-end inventories rose by nearly 85 per cent to $9,774 per store in the $30,000 to $50,000 size but this was accompanied by an expansion of slightly less than 50 per cent in average sales per store, and stock turnover thus dropped to 2.8 times per year. Both average sales and average year-end inventories per store were sharply larger at $93,145 and $20,724 per store in the $50,000 and over sales size than in the preceding classification.

Here the gain in average sales at about 140 per cent was somewhat greater than the inventory expansion of around 110 per cent and the stock turnover for the 30 stores therefore rose slightly from 2.8 to 3.0 times per year.

This rise in stock turnover, it may be observed, would have been considerably greater if only stores with sales between $50,000 and $100,000 in 1944 had been included in this category. Indeed a supplementary analysis indicates that the stock turnover for the 21 stores in this narrower sales size averaged 3.6 times per year with average sales and year-end inventories of $63,935 and $12,928 per store in 1944. The remaining 9 stores with annual sales of $100,000 or over, however, had overall a sharply lower stock turn of 2.6 times while average sales and ending inventories for this group amounted to $161,303 and $38,915 per store, respectively. On this basis then a regular up-and-down movement in the turnover ratios is apparent from the less than $10,000 sales size through intervening categories to the supplementary $50,000 to $100,000 and $100,000 and over sales classifications.

Overall changes in inventory levels between the beginning and end of 1944 according to the table were upward in the case of rented furniture stores comprising the first four size-of-business classifications. The increases, however, were comparatively small and when the possibility of carrying items with higher unit valuations is considered, it is quite possible that the physical quantities on hand at the end of 1944 were somewhat smaller than at the beginning of the period. Rented stores with sales of $50,000 or over, on the other hand, recorded a sharp decrease in their inventories during the period and in total a reduction of nearly 6 per cent from the beginning of the year is shown for rented outlets in all five sizes of business.

Gross trading profit percentages for the seven size and occupancy classifications for 1944 had a range from a low of 27.7 to a high of 34.2 per cent of total sales with both of these representing the experiences of rented furniture stores. Three ratios, standing for rented establishments in the $10,000 to $20,000, the $30,000 to $50,000 and the $50,000 and over sales brackets appear in the table fairly closely together between outside limits of 29.4 and 30.2 per cent of sales. The highest rate of gross profit at 34.2 per cent of sales was obtained by the 7 rented stores with sales of less than $10,000 in 1944. The number of reporting stores in this size of business is of course too small to permit anything more than tentative conclusions to be drawn from contrasting this with other ratios. It may be, however, that these stores were probably either providing somewhat more in the way of services to their customers on a charge basis or were selling in their limited way a larger proportion of the higher margin lines of merchandise than the stores included in the other sales volume categories. Progressively smaller average ratios of 29.4 and 27.7 per cent of sales were obtained by the 20 and 11 rented stores in the two larger sizes of business, after which the rates of gross profits for the 27 and 30 rented establishments in the two following size categories rose to 30.0 and 30.2 per cent of sales. Here quite possibly the downward tendency in gross profit ratios for stores in the $10,000 to $20,000 and in the $20,000 to $30,000 classifications may have resulted from the maintenance of more balanced lines of merchandise, some of which have carried relatively low mark ups, while the upward tendency in the two largest sizes of business may have reflected the advantages of purchasing in larger quantities. In any event this downward and then upward movement in gross profit percentages is partly in evidence in the Bureau's study of the operating results of furniture stores for 1938 where establishments with sales of $50,000 and over obtained average gross profit ratios somewhat greater than stores with sales of less than $50,000.

Among the operating expenses, the average ratios for salaries and wages ranged between a low of 1.1 per cent and a high of 9.1 per cent of total sales, the

low of 1.1 per cent of sales for rented stores in the less than $10,000 sales size being quite likely a depressed figure because of the possibility that some of these stores may not have had any employees on their staffs in 1944. For all groups of rented furniture stores, a consistent trend is in evidence for the salary and wage percentage to increase from one size of business to the next through the five sales-size categories. The sharpest gain naturally occurred between the less than $10,000 and the $10,000 to $20,000 sales brackets as the volume of sales expanded to a point where the presence of at least one employee was required. In the next two sizes, the payroll percentages remained fairly close to each other, but sharp increases of 2.3 and 2.1 percentage points separated the $20,000 to $30,000, the $30,000 to $50,000, and the $50,000 and over sales brackets from each other. Here the average sales per store rose from $26,044 in the $20,000 to $30,000 category to $38,641 and $93,145 in the two following classifications.

Rentals as percentages of the total sales of rented stores was naturally highest at 4.9 per cent of sales in the less than $10,000 sales size and lowest at 2.5 per cent for stores with 1944 sales of $50,000 or over. From the high point of 4.9 per cent of sales in the less than $10,000 group, however, the rentals ratio dropped sharply to 3.8 and 3.9 per cent in the two immediately larger sizes of business. The ratio again dropped sharply to 2.8 per cent in the $30,000 to $50,000 sales inverval and to the smaller figure of 2.5 per cent in the $50,000 and over group, as the expansions in size of business more than offset the increases in dollar rentals which resulted from more central locations and the probable use of greater amounts of floor space.

Advertising expenditures varied between a minimum of 0.2 and a high of 1.7 per cent of total sales for the seven size-of-business classifications shown in the table. As in the case of salaries and wages, the low of 0.2 per cent of sales in the less than $10,000 group reflects in part the fact that some of the 7 stores in this category may not have incurred any advertising expenses in the year under review. Most of the rented stores in the four remaining sales categories apparently found it desirable to spend a progressively larger proportion of their sales dollar in publicity during 1944, for with one exception the percentages increased with the size of business.

Depreciation allowances, ranging between a low of 0.4 and a high of 1.1 per cent of total sales, were irregular in trend from the smallest to the largest sizes of business. The low point is found in the under $10,000 sales category where probably only a limited amount of store fixtures and equipment was used, which, in some cases, may have been entirely written off previously. The high point for this expense was reached in the case of rented stores in the $10,000 to $20,000 sales size at 1.0 per cent of sales from which it dropped to 0.4 per cent in the next size, rose again to 0.8 per cent in the $30,000 to $50,000 sales category and receded to 0.6 per cent for stores with sales of $50,000 and over in 1944.

All other expenses, including all remaining business expenses of furniture stores but excluding proprietors' salaries and withdrawals, varied from a high of 11.4 per cent of sales in the under $10,000 sales size to a low of 7.0 per cent obtained by stores in the $50,000 and over class. A sharp drop occurred in this ratio from the high of 11.4 per cent for rented stores in the smallest size of business to 7.5 per cent of total sales achieved by rented outlets in the $10,000 to $20,000 sales category. Thereafter, the three remaining averages for rented stores moved irregularly between 7 and 8 per cent of sales.

The seven ratios for total operating expenses, including the two for owned and the five for rented stores, ranged between outside limits of 13.7 and 20.9

per cent of sales, the low ratio being obtained by owned stores in the $20,000 to $30,000 sales class and the high percentage by rented outlets in the largest size of business. Considering only the five size groups of rented stores, the ratio dropped from 18.0 per cent in the under $10,000 sales group to 16.6 per cent in the $10,000 to $20,000 category, due largely to the decline in the ratios for the residual all other operating expense item which occurred between these two sizes of business. From this point the total expense percentages rose steadily through the larger size-of-business classifications to the high of 20.9 per cent in the $50,000 and over sales bracket, the cause of which can be traced principally to the upward progression in the percentages for total salaries and wages.

Representing the difference between gross trading profit and total operating expenses, the seven ratios for proprietor's net earnings before income taxes and withdrawals varied from a high of 16.2 per cent of sales obtained by rented stores in the under $10,000 size to a low of 9.3 per cent for rented outlets in the $50,000 and over sales size. Taking into account only the five percentages for rented stores, the ratios with one exception decreased as the size of business increased. The greatest decline, as in the case of other items, occurred between the smallest and the next larger size classes, where a drop of 3.4 percentage points was recorded, a result due entirely to the decidedly sharp decrease in gross trading profit percentages. Between the second and third larger sales sizes another considerable decline in the net earnings ratio was recorded, this time reflecting partly a further reduction in the rate of gross profit and partly a rise in the total expense percentage. A slight increase in net earnings, on the other hand, took place between the $20,000 to $30,000 and the $30,000 to $50,000 sales intervals where the rise in gross trading profits slightly exceeded the expansion in total operating expenses. From this point, however, the net earnings ratio declined to its low of 9.3 per cent of sales in the $50,000 and over category due entirely to the increase in total expenses between the two sizes of business.

Notwithstanding the downward trend in the net earnings' ratios, the dollar figures for average proprietor's net earnings per store rose consistently from $1,141 per store in the smallest to $8,681 per outlet in the largest sales-size classification. This was due entirely to the fact that the increases in average sales per store between the five sales groups occurred at a much faster rate than the net effects of the drops in gross trading profit and the gains in the total operating expense ratios. It should of course be noted that both the percentage and dollar figures for proprietor's net earnings consist of two rewards, one for his personal services in managing the business, the other representing a return on the capital he has invested and risked in the enterprise. Allowances should therefore be made for these two rewards in assessing the real profitability of the furniture stores included in this survey.

Furniture Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting		7	6	20
2. Total Sales		$49,168	$86,346	$305,048
3. Average Sales Per Store		7,024	14,391	15,252
Total Inventory Reported,	SAMPLE			
4. Beginning of Year		7,622	17,928	85,212
5. End of Year	TOO	8,649	19,895	86,316
6. Average for Year		8,136	18,912	85,764
Average Inventory Per Store,	SMALL			
7. End of Year		1,236	3,316	4,316
8. Cost of Goods Sold		32,353	62,255	215,364
9. Stock Turnover (times per year) ..		4.0	3.3	2.5
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit		34.2	27.9	29.4
Operating Expenses:				
11. Employees' Salaries and Wages ..		1.1	5.9	3.8
12. Rent	SAMPLE	4.9	-	3.8
13. Advertising		0.2	0.6	0.5
14. Depreciation	TOO	0.4	1.0	1.0
15. Other Operating Expenses		11.4	8.6	7.5
16. Total Operating Expenses	SMALL	18.0	16.1	16.6
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...		16.2	11.8	12.8
18. Average Proprietor's Net Earnings Per Store		$1,141	$1,692	$1,947

Furniture Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
9	11		27		30	1.
$215,684	$286,486		$1,043,299		$2,794,363	2.
23,965	26,044		38,641		93,145	3
		SAMPLE		SAMPLE		
35,566	57,848		253,691		696,445	4.
32,614	58,122	TOO	263,895	TOO	621,734	5.
34,090	57,985		258,793		659,090	6.
		SMALL		SMALL		
3,624	5,284		9,774		20,724	7.
154,861	207,129		730,309		1,950,465	8.
4.5	3.6		2.8		3.0	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
28.2	27.7		30.0		30.2	10.
4.7	4.7		7.0		9.1	11.
-	3.9	SAMPLE	2.8	SAMPLE	2.5	12.
0.6	1.3		1.0		1.7	13.
1.1	0.4	TOO	0.8	TOO	0.6	14.
7.3	7.2		7.9		7.0	15.
		SMALL		SMALL		
13.7	17.5		19.5		20.9	16.
14.5	10.2		10.5		9.3	17.
$3,483	$2,644		$4,059		$8,681	18.

PART IV - HOUSEHOLD APPLIANCE, AND HOUSEHOLD APPLIANCE AND RADIO STORES

Trends by Size of Business, 1944.

With the possible exception of automobile dealers, probably no individual kind of business was so severely affected by wartime conditions as the business of household appliance, and household appliance and radio stores. This is principally for the reason that the sales of these establishments were naturally concentrated in durable and metallic articles, the production of which was so severely curtailed in the interests of the war effort. Indeed a distribution of the 1941 sales of these outlets by classes of commodities indicated that around 82 per cent of the dollar volume of the household appliance, and about 75 per cent of the sales of household appliance and radio stores consisted of major items of durable electrical and household equipment. The remaining 18 to 25 per cent of their total gross revenues was obtained from such relatively small items of gross income as electrical and radio parts and supplies, furniture, miscellaneous commodities, second-hand merchandise, and receipts from repairs and other services.

It is not surprising therefore to find that, according to the Bureau's monthly indexes, the sales of continuing stores in these two closely related kinds of retail business were in 1944 almost 28 per cent below their dollar volume in 1941. This decrease in sales and the virtual disappearance of almost all of the principal commodities formerly carried presented to these retailers a major problem of re-adjustment to wartime conditions. From the merchandising standpoint, consideration had to be given to the handling and promotion of other kinds of products, including used goods, and to the extension of repair and other services for the twin purposes of maintaining customer contacts and of obtaining at least survival levels of sales volumes. The financial aspect of the problem was also intensified for new patterns of gross profit and expense relationships were created which had to be met at the price of staying in business.

That many household appliance, and household appliance and radio stores were not able to survive this process of re-adjustment is indicated from the considerable number of cancellations for non-responses and for unusable reports which was experienced in the survey for 1944 of a sizable sample of such stores. In some cases, the cancellations were made because the stores were out of business; in other instances, reporting stores had so changed the commodity composition of their sales that they could no longer be considered as appliance and radio stores. In still other cases, the reporting stores were concentrating so heavily on providing repair and other services that they did not in fact represent the activities of retail trading establishments in the year under review.

The reports of stores still remaining in the sample, as can be expected, indicated that they were specializing in handling a considerably narrower range of merchandise than they did in 1941, their commodity sales in 1944 consisting principally of radio parts and batteries, electrical supplies and other small items. The sale of comparatively small amounts of the larger items was occasionally indicated, but a substantial proportion of this may have been second-hand goods for the sale of used goods formed about 3 per cent of the total sales of these kinds of stores in the earlier year.

Receipts from repairs and other services contributed in 1941 between 3 and 5 per cent of the sales of all appliance, and appliance and radio stores analyzing their gross revenues by sources of income. Expanding their income from the provision of such services was clearly the natural policy for these stores to follow during the war years. It is therefore entirely reasonable to find in the following table that receipts from repairs and services of the establishments

reporting operating result figures ranged between a low of 12 and a high of 46.8 per cent of their total sales, with the four middle ratios grouped closely between 19.7 and 21.8 per cent of such revenues. Efforts were made, of course, to assure that only stores with service receipts of less than 50 per cent of their total revenues were included in the tabulations. In view of the peculiar features of this trade during wartime, however, it is quite possible, especially in the case of rented stores with annual sales of less than $10,000 where service receipts amounted to 46.8 per cent of total sales, that some stores with service receipts of more than 50 per cent of their total sales were included in the compilations.

Household Appliance and Radio Stores, 1944
Distribution of Total Revenues by Size of Business

Occupancy Class	Size of Business			
	Under $10,000	$10,000 -$19,999	$20,000 -$29,999	$30,000 -$49,999
Owned Stores				
Total Number Reporting	11	6	Sample	Sample
Total Gross Revenues Reported	$ 46,811	$ 82,114		
Number Reporting Breakdown of Revenues ..	7	3		
Total Revenues so Analyzed	$ 31,266	$ 45,334	Too	Too
Per Cent Sales of Merchandise	80.3%	78.2%		
Per Cent Receipts From Services	19.7%	21.8%	Small	Small
Rented Stores				
Total Number Reporting	27	25	16	11
Total Gross Revenues Reported	$165,118	$378,199	$371,703	$416,333
Number Reporting Breakdown of Revenues ..	20	12	8	5
Total Gross Revenues so Analyzed	$112,646	$188,303	$187,523	$204,660
Per Cent Sales of Merchandise	53.2%	78.4%	78.5%	88.0%
Per Cent Receipts From Services	46.8%	21.6%	21.5%	12.0%

To enable the erratic influences of wartime conditions to iron themselves out within the overall figures shown in the table on operating results, a large number of reports should have been included in the tabulations. Unfortunately the cancellations above mentioned were quite numerous and only 105 usable reports were available for classification by size of business and method of occupancy. When such distributions were made, it became apparent that the sample was far too small for owned stores in the $20,000 to $30,000 and the $30,000 to $50,000 classes, and for both owned and rented stores in the $50,000 and over groups, to permit figures to be presented for these sales sizes. Statistics are consequently shown for only six sales and occupancy classifications and these rest upon the fairly thinly scattered reports of 96 stores. The conclusions to be drawn from these figures must therefore be regarded as highly tentative until more normal conditions return to the trade when larger numbers of reports will enable more typical figures on operating results to be compiled.

Stock turnover in times per year varied from a low of 2.3 to a high of 4.1 times for the six size and occupancy classes of stores for which statistics are presented in the main table. No marked tendencies are apparent for these averages to cluster closely around a middle figure for three ratios had outside limits of 2.3 and 2.9 times per year while the limits for the other three were 3.2 and 4.1 times per year. There is also no clear tendency for the turnover figures to vary either directly/with increases in sales size. Thus the lowest stock turn of 2.3 times was
or indirectly

recorded by rented stores in the under $10,000 sales category in contrast to which owned stores in the same size had an average ratio of 3.6 times. In the next larger size of business the comparison is reversed with an average of 2.8 for owned and the high figure of 4.1 times for rented outlets. The two following averages, however, are progressively lower at 3.2 and 2.9 times per year for rented establishments.

Average inventories per store, end of year, on the other hand, rose steadily with increases in the size of business. For rented stores alone average ending inventories per store stood at $1,538 in the less than $10,000 sales group and amounted to a high of $7,275 in the $30,000 to $50,000 size class. All of these averages, of course, are depressed by the depletion in stocks which occurred during the war years.

Changes between the total values of inventories reported at the beginning and the end of 1944 were relatively small for the two owned and the three rented groups of stores found in the three smallest sales sizes. The direction of the changes, however, was quite irregular for increases by two groups and decreases by three groups of stores were recorded between the two inventory dates. The greatest variation in inventories - a decline - is evident in the $30,000 to $50,000 sales category where a drop of about 27 per cent is shown. In total, a reduction of approximately 10 per cent in the inventories of the 96 reporting stores took place between the beginning and the ending of the year under review.

Gross trading profit percentages for the six occupancy and size classifications ranged from a low of 33.4 to a high of 44.4 per cent of sales in 1944. Owned stores in the $10,000 to $20,000 sales category were responsible for the low percentage while rented stores in the less than $10,000 sales size accounted for the high of 44.4 per cent. Considering only the four groups of rented establishments for which the samples are somewhat larger, gross profits dropped steadily from 44.4 per cent of sales in the under $10,000 size to 34.0 per cent of sales in the $30,000 to $50,000 size of business. Reference to the text table will indicate that the proportions of receipts from services also declined as the size of business increased and it is to this circumstance that at least part of the declining tendency in gross profit percentages must be attributed. This is, of course, due to the fact that receipts from repairs and services consist principally of customers' payments for labour services which are not included in the cost of goods sold.

Turning to the operating expense ratios of appliance and appliance and radio stores, the average percentages for salaries and wages distributed to employees varied for the six classifications between a low of 2.3 per cent obtained by owned stores in the less than $10,000 sales size and a high of 10.6 per cent of sales recorded by rented stores with sales between $30,000 and $50,000 in 1944. Among the four sales classifications of rented stores, a consistent trend is evident for the payroll ratios to increase from one size of business to the next. This upward progression, also apparent in the operating results of hardware and furniture stores, is probably a reflection both of the decreasing importance of the proprietor's clerical services in relation to total selling personnel, and of the expansions in both selling and non-selling work which larger sales volumes entail.

Rent, as a percentage of total sales, was naturally highest in the less than $10,000 sales category where the average stood at 4.9 per cent and from which it dropped to 3.4 per cent in the next larger size. In contrast to the tendency for rentals percentages to decrease with expansions in the size of business, however, the ratios were progressively higher for establishments in the $20,000 to $30,000 and the $30,000 to $50,000 sizes of business. Such stores probably experienced a substantial decline in sales during the war period while their dollar expenditures for

rentals remained constant, thus causing their rentals ratio to rise considerably during the same interval.

Advertising expenses ranged between a low of 0.5 and a high of 1.3 per cent of total sales with the percentages for both groups of owned stores being below 1 per cent of total revenues. Rented stores in the $20,000 to $30,000 and the $30,000 to $50,000 sales sizes both had average ratios of 1.3 per cent of total sales, being slightly larger than the 1.1 per cent figures shown for each of the two smaller sizes of stores. Depreciation expense percentages were also quite low, varying between outside limits of 0.6 and 2.1 per cent of sales. For this item a distinctly downward tendency is apprent, the ratios being highest in the less than $10,000 sales category and decreasing thereafter as the size of business increased.

All other expenses, the residual item, was highest at 13.1 per cent for owned stores in the $10,000 to $20,000 sales group, and lowest at 8.8 per cent for rented establishments in the $20,000 to $30,000 sales size. Considering only rented appliance and radio stores, the ratio dropped from 11.2 per cent of total sales in the smallest to 8.8 per cent in the $20,000 to $30,000 size of business, rising thereafter to 10.9 per cent for stores with sales between $30,000 and $50,000 in 1944.

The six ratios for total operating expenses ranged widely from a low of 14.8 per cent realized by owned stores in the less than $10,000 sales size to a high of 27.7 per cent of sales obtained by rented stores in the $30,000 to $50,000 size of business. Both groups of owned stores in the less than $10,000 and the $10,000 to $20,000 sales categories experienced considerably lower total expense ratios than their rented counterparts due mainly to their smaller payroll percentages and the absence of rental charges. Among the four groups of rented establishments the low point of 23.0 per cent for total expenses was realized by outlets in the $10,000 to $20,000 sales class, the ratios thereafter rising to 24.3 and 27.7 per cent of sales in the two following sizes of business.

Proprietor's net earnings before income taxes and withdrawals had outside limits of 6.3 and 21.7 per cent of total sales in the year under review. Considering only the four ratios for rented stores, the rate of net earnings decreased sharply with increases in the size of business, the figures dropping from a high of 20.0 per cent in the less than $10,000 sales size to the low of 6.3 per cent for rented outlets in the $30,000 to $50,000 size of business. This trend, as examination of the table will show, resulted from the downward movement in rates of gross trading profit and the increases in total expense ratios which occurred in the two larger sales categories of rented stores.

Average dollar figures for proprietor's net earnings varied irregularly between a low of $922 and a high of $3,151 per store in 1944, with the low being recorded by the 11 owned stores in the smallest size of business. Among the four groups of rented stores the average amounted to $1,222 per store in the smallest category, rose to $2,383 in the $10,000 to $20,000 size, to the high of $3,151 in the $20,000 to $30,000 classification, and then receded to $2,381 per store in the $30,000 to $50,000 size of business.

Household Appliance and Radio Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	11	27	6	25
2. Total Sales	$46,811	$165,118	$82,114	$378,199
3. Average Sales Per Store	4,256	6,115	13,686	15,128
Total Inventory Reported,				
4. Beginning of Year	8,364	37,494	19,097	58,976
5. End of Year	8,219	41,537	20,256	55,289
6. Average for Year	8,292	39,515	19,677	57,132
Average Inventory Per Store,				
7. End of Year	747	1,538	3,376	2,212
8. Cost of Goods Sold	29,725	91,806	54,688	231,836
9. Stock Turnover (times per year)	3.6	2.3	2.8	4.1
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	36.5	44.4	33.4	38.7
Operating Expenses:				
11. Employees' Salaries and Wages	2.3	5.1	5.0	7.5
12. Rent	-	4.9	-	3.4
13. Advertising	0.5	1.1	0.8	1.1
14. Depreciation	1.7	2.1	1.0	1.2
15. Other Operating Expenses	10.3	11.2	13.1	9.8
16. Total Operating Expenses	14.8	24.4	19.9	23.0
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals	21.7	20.0	13.5	15.7
18. Average Proprietor's Net Earnings Per Store	$922	$1,222	$1,854	$2,383

Household Appliance and Radio Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
	16		11			1.
	$371,703		$416,333			2.
	23,231		37,848			3.
SAMPLE		SAMPLE		SAMPLE	SAMPLE	
	73,025		110,495			4.
TOO	69,081	TOO	80,021	TOO	TOO	5.
	71,053		95,258			6.
SMALL		SMALL		SMALL	SMALL	
	4,318		7,275			7.
	230,828		274,780			8.
	3.2		2.9			9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
	37.9		[illegible]			10.
	9.1		10.6			11.
SAMPLE	3.9	SAMPLE	4.3	SAMPLE	SAMPLE	12.
	1.3		1.3			13.
TOO	1.2	TOO	0.6	TOO	TOO	14.
	8.8		10.9			15.
SMALL		SMALL		SMALL	SMALL	
	24.3		27.7			16.
	13.6		6.3			17.
	$3,151		$2,381			18.

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Minister of Trade and Commerce

MERCHANDISING AND SERVICES STATISTICS

DOMINION BUREAU OF STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

RETAIL

HARDWARE STORES

FURNITURE STORES

HOUSEHOLD APPLIANCE AND RADIO STORES

1945

BULLETIN NO 4

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CONTENTS

DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

All other expenses - telephone, telegraph, postage, bank charges, legal, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

DOMINION BUREAU OF STATISTICS

Dominion Statistician: Herbert Marshall
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OPERATING RESULTS OF HARDWARE, FURNITURE, HOUSEHOLD APPLIANCE AND RADIO STORES, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers hardware, furniture, household appliance and radio stores. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 2. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the operation of hardware, furniture and appliance stores in 1945 are noted below.

Hardware Stores

1. In 1945, hardware stores operated on a gross margin of 24.6 per cent, approximately 1 per cent lower than in 1944. At the same time, expenses were reduced from 13.5 per cent in 1944 to 12.3 per cent in 1945 with the result that net profits, before deduction of proprietors' salaries and income taxes were slightly greater in the latter year. (See table 1).

2. Net profit and gross profit ratios generally declined with increase in volume of business. Like the retail trade in general, salary expense, as a ratio of net sales, increased with sales volume while the rent expense ratio decreased. Other expenses showed little change over the different size ranges. (See table 5, page 9).

3. In all sizes of business, hardware stores operated in rented premises reported wider gross margins than owned stores. Higher ratio of expenses offset this advantage in margin to result in net profits quite close to those in owned stores. (See table 5, page 9).

4. The "less profitable" group of stores was characterized by narrower gross margins and higher ratios of salaries than the "more profitable" group. (See table 6, pages 10, 11).

Table 1. - Operating Results of Hardware Stores, 1945
(with 1944 percentages for comparison)

Item	1945 (612 stores reporting)		1944 (161 stores reporting)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	$	%	%
Average net sales	36,441	100.0	100.0
Gross trading profit	8,952	24.6	25.7
Operating expenses:			
Employees' salaries	2,116	5.8	6.4
Advertising	135	0.4	0.4
Store supplies	327	0.9	
Bad debts	63	0.2	6.7
Occupancy expense	1,255	3.3 } 6.1	
All other expenses	602	1.7	
Total operating expenses	4,498	12.3	13.5
Net profits before deduction of proprietors' salaries and income tax	4,454	12.3	12.2

Furniture Stores

1. In 1945, furniture stores realized a net profit of 11.0 per cent, slightly better than the 10.3 per cent in 1944. Gross margin was 28.0 per cent, as compared to 29.9 per cent in the previous year. Expenses were curtailed considerably in 1945 with a ratio of 17.0 per cent (1944 - 19.6%). (See table 2).

2. Net profits decreased consistently as a proportion of net sales as sales volume expanded. This diminishing profit ratio actually resulted in greater dollar value net earnings because of the greater volume. Gross profit ratios followed the same decline in owned stores but were irregular in trend in rented stores. Salaries increased proportionately with volume of business while the ratio of rent expense decreased. (See table 7, page 13).

3. In 1945, rented stores operated on wider gross margins than did owned stores. Any increase in expenses in rented stores did not offset the advantage in margin with the result that these stores showed greater net profits than owned stores. (See table 7, page 13).

Table 2. - Operating Results of Furniture Stores, 1945
(with 1944 percentages for comparison)

Item	1945 (204 stores reporting) Average dollar figures	1945 (204 stores reporting) Percentage of net sales	1944 (120 stores reporting) Percentage of net sales
	$	%	%
Average net sales	54,657	100.0	100.0
Gross trading profit	15,328	28.0	29.9
Operating expenses:			
Employees' salaries	3,652	6.7	7.7
Advertising	538	1.0	1.3
Store supplies	814	1.5	
Bad debts	124	0.2	9.3
Occupancy expenses	2,656	4.8	10.6
All other expenses	1,545	2.8	
Total operating expenses	9,329	17.0	19.6
Net profits before deduction of proprietor's salaries and income tax	5,999	11.0	10.3

Household Appliance and Radio Stores

1. Household appliance and radio stores operated on a gross margin of 36.4 per cent in 1945 and realized a net profit of 12.9 per cent. In 1944 the respective profits were 35.2 per cent and 12.2 per cent. An increase in expenses during 1945, especially in salaries, did not completely offset the greater gross margin. (See table 3).

2. In 1945, household appliance and radio stores showed a greater proportion of merchandise sales and less receipts from services than in 1944. (See table 4).

3. Net profits, as a percentage of net sales, decreased with business expansion. The higher volume of sales, however, resulted in greater dollar value of net earnings in the larger stores. Gross profit ratios followed the same declining trend in rented stores but were irregular in owned stores. Like other retail stores, the salary ratio increased with sales volume while the rent expense ratio decreased.

Table 2. - Operating Results of Household Appliance and Radio Stores, 1945
(With 1944 percentages for comparison)

Item	1945 (117 stores reporting) Average dollar figures	1945 (117 stores reporting) Percentage of net sales	1944 (105 stores reporting) Percentage of net sales
	$	%	%
Average net sales	19,764	100.0	100.0
Gross trading profit	7,194	36.4	35.2
Operating expenses:			
Employees' salaries	1,957	9.9	8.4
Advertising	210	1.1	1.0
Store supplies	440	2.2	
Bad debts	56	0.3	13.6
Occupancy expense	1,272	6.4	
All other expenses	718	3.6	
Total operating expenses	4,653	23.5	23.0
Net profits before deduction of proprietors' salaries and income tax	2,541	12.9	12.2

Table 4. - Percentage of Service Receipts by Size of Business

Size of Business	Owned 1944	Owned 1945	Rented 1944	Rented 1945
Less than $10,000	19.7	15.9	46.8	22.0
$10,000 - $19,999	21.8	18.6	21.6	20.9
$20,000 - $49,999	(a)	12.2	16.5	12.2

(a) Not available.

GENERAL DISCUSSION AND TABLES

Hardware Stores

Usable reports were received from 612 independent unincorporated hardware stores. These were classified as to size of business and occupancy basis and results are presented for all classified groups.

Trends by Size of Business (See table 5, page 9)

With two minor exceptions, gross profits decreased consistently in ratio to net sales as the volume of business expanded. Net profits followed a similar trend of declining ratio as the size of business increased. The increased percentage of salaries in the larger size stores offset the declining rent ratio so that total expenses were generally a little greater, in ratio to net sales, in the larger stores.

Stocks on hand were greater at the end of the year than at the beginning with the exception of owned stores whose annual net sales were over $100,000. The need of keeping a complex assortment of merchandise in stock in a hardware store is reflected in the higher inventory value and low stock turnover rate. This rate of stock turnover ranged from 1.9 times in the smallest size rented store to 4.9 times in the size range of $100,000 annual sales and over.

Comparison with Previous Years (See Chart 1, page 8)

A survey on operating costs was taken in 1944 which included results for 1941. Comparable information is not available for earlier years. The results of the comparison between 1941, 1944 and 1945 are shown in chart 1, page 8. Net profit ratios were generally better in 1945 than in previous years but gross margins did not change a great deal over the three years.

Comparison Between Less Profitable and More Profitable Stores (See table 6, page 10)

In table 6, hardware stores are classified as below and above the average net profit. Comparisons are shown only where the number of stores was large enough in both profit segments. The detail of this table is reduced by the omission of items showing little or no difference between the two degrees of profit.

The items showing greatest difference in ratios between less profitable and more profitable stores were gross profit and salaries. The expense items of store supplies, light, heat and power and repairs and maintenance appeared greater in less profitable stores for most size groups.

CHART I.

OPERATING RESULTS OF RETAIL HARDWARE STORES

GROSS MARGIN = NET PROFITS + SALARIES + OTHER EXPENSES

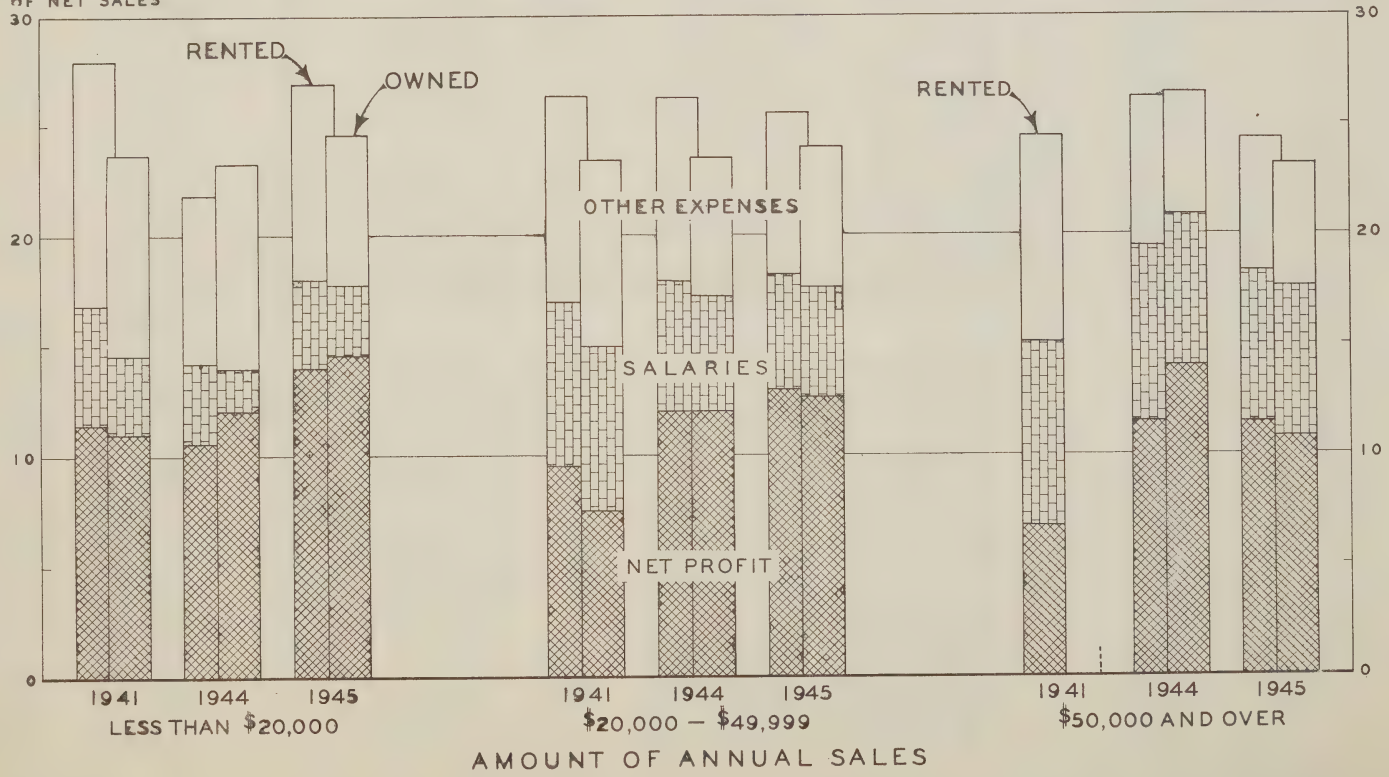

Table 5.--Hardware Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES									
	Less than $10,000		$10,000-$19,999		$20,000-$49,999		$50,000-$99,999		$100,000 and over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	29	24	61	65	127	180	25	75	10	16
Average net sales per store $	7,249	7,861	15,251	16,530	30,980	32,399	67,164	65,251	146,270	131,036
Average inventory beginning of year $	2,651	3,050	4,433	4,668	7,321	7,436	15,007	13,477	28,295	18,992
Average inventory end of year $	2,803	3,167	4,871	5,010	7,783	7,990	15,261	13,572	27,652	22,012
Average cost of goods sold, per store $	5,422	5,821	11,509	12,080	23,585	24,121	51,070	49,233	113,690	99,755
Stock turnover (times per year)	2.0	1.9	2.5	2.5	3.1	3.1	3.4	3.6	4.1	4.9
Number of working proprietors	30	24	68	70	153	213	32	106	21	22
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit	25.2	26.0	24.5	26.9	25.9	25.5	24.0	24.6	22.3	23.9
Operating expenses:										
Employees' salaries and wages	2.0	1.8	3.3	4.6	5.1	5.3	7.2	6.8	6.6	7.2
Advertising	0.2	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.6
Store supplies	0.8	0.8	0.7	1.1	0.9	1.0	0.9	0.8	1.0	0.8
Bad debts	0.3	0.1	0.1	0.1	0.2	0.2	0.3	0.2	(a)	0.1
Taxes and insurance	2.4	1.1	1.6	0.8	1.2	0.7	0.9	0.6	1.0	0.5
Rent	-	4.1	-	2.7	-	2.0	-	1.5	-	1.3
Light, heat and power	1.7	1.2	1.2	1.0	0.7	0.6	0.5	0.4	0.4	0.4
Repairs and maintenance	1.0	0.4	0.6	0.4	0.6	0.4	0.6	0.3	0.7	0.3
Depreciation	0.7	0.6	0.6	0.3	0.6	0.4	0.4	0.3	0.5	0.3
All other expenses	1.8	1.5	1.5	1.8	1.7	1.6	1.4	1.5	1.8	1.8
Total operating expenses	10.9	11.9	9.8	13.1	11.3	12.6	12.6	12.8	12.4	13.3
Net profits before deduction of proprietors' salaries and income tax	14.3	14.1	14.7	13.8	12.6	12.9	11.4	11.8	9.9	10.6
Average net earnings per store $	1,039	1,108	2,241	2,290	3,897	4,195	7,630	7,674	14,506	13,882
Average customers' accounts outstanding $	275	122	506	366	1,405	1,317	4,805	2,599	17,189	5,999

(a) Less than 0.05 per cent.

Table 6.--Hardware Stores - Operating Results Classified According to Degree of Net Profit by Size of Business and Occupancy Class, Canada, 1945

Item	Less than $10,000				$10,000 - $19,999			
	Owned		Rented		Owned		Rented	
	Below Average	Above Average	Below Average	Above Average	Below Average	Above Average	Below Average	Above Average
Number of stores reporting	12	17	14	10	28	33	34	31
Average net sales per store $	7,682	6,944	7,957	7,725	15,019	15,448	16,584	16,471
Average cost of goods sold, per store $	5,940	5,057	6,049	5,501	11,617	11,417	12,391	11,740
Number of working proprietors	12	18	14	10	30	38	36	34
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	22.7	27.2	24.0	28.8	22.7	26.1	25.3	28.7
Operating expenses:								
Employees' salaries and wages	2.8	1.4	2.0	1.3	4.4	2.4	5.6	3.3
Store supplies	1.1	0.5	1.0	0.6	0.9	0.6	1.3	1.0
Light, heat and power	1.5	1.9	1.5	0.9	1.5	1.0	1.0	1.0
Repairs and maintenance	1.2	0.8	0.6	0.1	0.9	0.4	0.5	0.3
Total operating expenses	12.3	9.8	12.9	10.4	12.0	8.1	14.9	11.0
Net profits before deduction of proprietors' salaries and income tax	10.4	17.4	11.1	18.4	10.7	18.0	10.4	17.7
Average net earnings per store $	799	1,209	886	1,419	1,605	2,781	1,720	2,915

Item	$20,000 - $49,999				$50,000 - $99,999			
	Owned		Rented		Owned		Rented	
	Below Average	Above Average	Below Average	Above Average	Below Average	Above Average	Below Average	Above Average
Number of stores reporting	68	59	92	88	16	9	39	36
Average net sales per store $	31,668	30,188	32,284	32,519	65,801	69,587	66,234	64,186
Average cost of goods sold, per store $	24,896	22,074	24,738	23,476	51,392	50,498	51,987	46,250
Number of working proprietors	73	80	106	107	22	10	53	53
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	21.4	26.9	23.4	27.8	21.9	27.4	21.5	28.0
Operating expenses:								
Employees' salaries and wages	5.7	4.2	6.1	4.5	7.5	6.6	6.9	6.6
Store supplies	0.9	0.9	1.1	0.8	1.0	0.7	0.8	0.8
Light, heat and power	0.8	0.7	0.7	0.6	0.6	0.3	0.4	0.4
Repairs and maintenance	0.6	0.6	0.5	0.2	0.6	0.6	0.3	0.3
Total operating expenses	12.3	10.1	14.0	11.2	13.5	11.0	13.2	12.4
Net profits before deduction of proprietors' salaries and income tax	9.1	16.8	9.4	16.6	8.4	16.4	8.3	15.6
Average net earnings per store $	2,876	5,073	3,026	5,416	5,505	11,408	5,525	10,001

Furniture Stores

A total of 204 usable reports were received from independent unincorporated furniture stores. When classified by size of business and on an occupancy basis, there were too few stores in the group with annual net sales of less than $10,000 and in owned stores whose sales were over $100,000 to allow presentation of their results. Because of the size of the sample it was not possible to show results of any supplementary breakdown beyond the size of business and occupancy tabulation. Comparable figures are not available for previous years other than 1944 and there only for a few groups, and are not therefore shown.

Trends by Size of Business (See table 7, page 13)

Gross profits decreased in ratio to net sales in owned stores as the volume of business expanded. Rented stores showed a decreasing ratio to the middle size class, then an upward movement to a higher ratio in the largest size group. A high ratio of expense in the large stores, especially in salaries paid to employees, offset any irregularity in the trend of gross margin with the result that net profits decreased consistently in percentage of sales as the size of business grew. In making any comparison with the dollar value of net earnings per store, account should be taken of the number of actively engaged proprietors' in the respective groups.

Stocks on hand at the end of the year were greater in every size range than at the first of the year. The rate of stock turnover rose from 2.2 times per year in the $10,000 - $19,999 average owned store to 4.2 times in the average store with sales between $50,000 and $99,999. The turnover rate in the largest group fell to 3.7 times per year.

Table 7.--Furniture Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	$10,000-$19,999		$20,000-$49,999		$50,000-$99,999		$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	13	15	20	65	18	40		21
Average net sales per store $	14,707	14,902	34,326	35,070	67,204	69,325		148,250
Average inventory beginning of year $	4,427	3,062	5,578	5,954	11,546	11,143		26,318
Average inventory end of year $	5,044	3,146	6,156	6,474	12,845	12,143		30,305
Average cost of goods sold, per store $	10,563	10,488	25,456	25,178	50,908	49,205		104,606
Stock turnover (times per year)	2.2	3.4	4.3	4.1	4.2	4.2		3.7
Number of working proprietors	14	15	22	77	20	53	SAMPLE	37
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	28.2	29.6	25.8	28.2	24.2	29.0		29.4
Operating expenses:								
Employees' salaries and wages	2.8	2.3	5.5	4.8	6.5	7.1		8.4
Advertising	0.5	0.5	0.7	0.6	0.6	1.0		1.5
Store supplies	1.4	1.9	2.1	1.6	1.1	1.4		1.5
Bad debts	(a)	0.4	0.2	0.2	0.2	0.2		0.3
Taxes and insurance	2.5	0.8	1.3	1.0	1.3	1.0		0.9
Rent	-	3.8	-	2.6	-	2.8	TOO	2.1
Light, heat and power	1.4	1.1	0.9	0.8	0.7	0.6		0.7
Repairs and maintenance	1.2	1.1	0.9	0.7	0.9	0.6		0.6
Depreciation	1.4	0.2	0.6	0.4	0.8	0.4		0.4
All other expenses	3.4	2.3	2.2	3.1	2.9	2.6		3.0
Total operating expenses	14.6	14.4	14.4	15.8	15.0	17.7		19.4
Net profits before deduction of proprietors's salaries and income tax	13.6	15.2	11.4	12.4	9.2	11.3		10.0
Average net earnings per store $	2,005	2,269	3,916	4,363	6,214	7,808	SMALL	14,832
Average customers' accounts outstanding $	548	1,050	3,788	3,223	4,554	5,757		14,055

(a) Less than 0.05 per cent.

Household Appliance and Radio Stores

Usable reports were received from 117 stores classified as household appliance and radio stores. These stores can not be considered as being back to normal operating conditions in 1945. The expense ratios presented here will reflect such deviations from normal as a high percentage of repair service, a greater percentage of small item sales and the sale of other commodities such as furniture and second-hand merchandise in greater proportion than normal.

When classified by size of business and occupancy basis, there were sufficient stores to allow publication of only the three smallest size of business classes. Even then, it will be noted that owned stores in the three groups number only 9, 11 and 12. This fact should be considered when making any comparisons with the ratios shown. Comparisons with previous years are not available except for 1944 where only two size ranges are similar.

Trends by Size of Business (See table 8, page 15)

Gross profits, with one exception, decreased with expanding sales volume. Net profit ratios to sales followed the same trend. The smaller ratios in net profit, however, did not result in smaller dollar value net earnings. These increased due to a greater volume of sales. Salaries, as a percentage of net sales, increased proportionately with volume of business while the rent expense ratio decreased. Other expense items were irregular in their ratio to sales over the three size ranges.

Stocks were greater at the end of the year in every class than they were at the first. No definite trend in rate of turnover occurred.

Table 8.--Household Appliance and Radio Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES					
	Less than $10,000		$10,000-$19,999		$20,000-$49,999	
	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	9	19	11	31	12	32
Average net sales per store $	7,682	7,068	13,568	14,868	25,420	31,838
Average inventory beginning of year $	1,194	1,219	2,870	2,415	4,328	4,514
Average inventory end of year $	1,577	1,421	3,402	2,648	4,891	5,131
Average cost of goods sold, per store $	4,850	4,197	9,047	9,361	16,416	20,571
Stock turnover (times per year)	3.5	3.2	2.9	3.7	3.6	4.3
Number of working proprietors	10	22	12	32	14	43
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)						
Gross trading profit	36.9	40.6	33.3	37.0	35.4	35.4
Operating expenses:						
Employees' salaries and wages	2.2	7.1	6.2	8.5	11.4	9.6
Advertising	0.8	0.9	0.6	1.1	0.8	1.2
Store supplies	3.3	2.2	3.0	2.9	1.9	2.0
Bad debts	0.5	0.2	0.7	0.3	0.3	0.2
Taxes and insurance	3.0	1.2	1.6	0.7	2.3	0.8
Rent	-	5.0	-	3.7	-	2.9
Light, heat and power	2.3	1.2	1.1	1.2	1.4	0.8
Repairs and maintenance	1.3	0.7	0.7	1.2	1.4	0.7
Depreciation	1.8	1.5	1.4	0.8	1.6	0.6
All other expenses	5.3	4.7	2.4	2.8	3.5	3.9
Total operating expenses	20.5	24.7	17.7	23.2	24.6	22.7
Net profits before deduction of proprietors' salaries and income tax	16.4	15.9	15.6	13.8	10.8	12.7
Average net earnings per store $	1,254	1,122	2,119	2,051	2,739	4,036
Average customers' accounts outstanding $	276	163	912	537	1,740	1,652

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DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

RETAIL

HARDWARE, FURNITURE,

HOUSEHOLD APPLIANCE AND RADIO STORES

1946

BULLETIN NO. 4

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DEFINITIONS.....

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.

Advertising

Store supplies - used in the business during the year - wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts - during the year - amount written off Less debts which are recovered.

Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals - monies paid for premises used only in the business.

Heat, light and power expenses - amount paid for these used during the year.

Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.

Depreciation - allowances to cover decreases in the value of fixed store assets, including delivery equipment.

Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.

Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

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MERCHANDISING AND SERVICES STATISTICS

OTTAWA

Dominion Statistician, HERBERT MARSHALL
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OPERATING RESULTS OF HARDWARE, FURNITURE, HOUSEHOLD APPLIANCE AND RADIO STORES....

INTRODUCTION

The operating results of retail hardware, furniture, and household appliance and radio stores for 1946 are presented in this report, which continues the series of bulletins published for 1944 and 1945. The survey is based upon operating statements contributed by a sample of firms throughout the country. The sample includes only unincorporated independent stores.

Several innovations in the treatment of the subject matter have been introduced. A case study which describes the background and operating experiences of a furniture merchant should help other retailers to use the average ratios presented herein. Results of the three types of stores are brought together to provide a means of comparing various operating factors. Tables and charts illustrate, clarify, and facilitate understanding of the text. It is hoped that merchants, students, and others, will consult these reports as sources of reference and information.

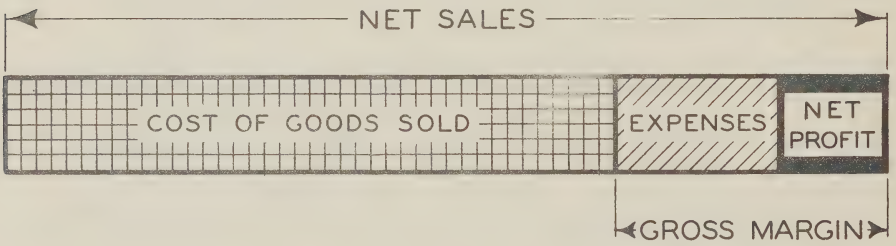
Once each year, at least, the merchant must come to grips with the task of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the merchant's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of bookkeeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

NET SALES=COST OF GOODS SOLD + GROSS MARGIN



GROSS MARGIN=EXPENSES + NET PROFIT

CASE STUDY.....

Retail merchants face problems of this nature concerning business operations:

- what is an adequate rate of profit for the line of business,
- what proportion should be distributed in wages and salaries to employees,
- how much inventory should be carried,
- what is a reasonable figure to pay for rent in relation to size of business,
- how many times a year should inventory be turned over.

In order to help furniture and appliance dealers use the average ratios compiled in the survey, a case study describing the operations of a retail furniture store has been made. Merchant A is presented as a composite of several retailers in the size-of-business category $50,000-$99,999. Other selection-factors such as, location in an Ontario metropolitan area, rented premises, and nearly average operating results, were employed.

During the war years and in 1946, Merchant A, with few appliances for sale, re-grouped his furniture to occupy the front space formerly allotted to the display of ironers, refrigerators, vacuum cleaners, etc. He had tried furnishing a room, as it would appear in a customer's home, but found that his space was used to better advantage by grouping related pieces of furniture with sufficient interspacing to allow ready substitution.

In the accompanying table Merchant A's operating ratios are set down beside the average results derived from a sample of retail furniture dealers throughout the country.

MERCHANT A'S OPERATING RESULTS COMPARED WITH AVERAGE RESULTS FOR

$50,000-$99,999 SIZE-OF-BUSINESS CLASS

ITEM	MERCHANT "A"	AVERAGE
Average net sales per store	$87,070	$68,975
Average cost-of-goods sold	$64,907	$49,729
Per cent of net sales	74.6	72.1
Average beginning inventory	$ 4,685	$ 9,075
Per cent of net sales	5.4	13.1
Average ending inventory	$ 8,685	$13,017
Per cent of net sales	10.0	18.9
Stock turn (times per year)	9.7	4.5
Gross margin	25.4	27.9
Operating expenses:		
Employees' salaries	6.9	5.4
Advertising	-	0.8
Store supplies	0.2	1.2
Rent	4.1	2.3
Light, heat, and power	0.4	0.6
Repairs and maintenance	0.1	0.5
All others	4.5	4.1
Total operating expenses	16.2	14.9
Net profit	9.2%	13.0%

It should be stated at the outset that since the case study firm had a greater volume of business than the average, in the particular size-of-business group in which it fell, percentages to net sales of such factors as inventories and cost-of-goods sold were more significant than dollar comparisons.

Analysis of the table reveals considerable contrast between the inventories stocked by Merchant A and the average shop. Survey store stocks were greater by 7.7 per cent for beginning inventory and 8.9 per cent for ending inventory, as a ratio to net sales, than dealer A's stocks of merchandise. The dollar value of beginning inventory was approximately one-half the survey average, while at the year end the stock maintained was two-thirds the average size. The rate of inventory replacement, which bears a close relationship to size of inventory, was more than twice the ratio typical of the sample.

Dollar net sales exceeded by about 25 per cent those of survey stores. The average costs-of-goods sold and gross margins bore similar proportions.

The relatively greater salary and rent expenditures of Merchant A were noteworthy in the operating statement. He spent almost one-quarter more to maintain his salesforce and about 74 per cent more, proportionately, for rent. Store supplies indicated an especially favourable ratio (Merchant A----0.2%, Average----1.2%), while light, heat, and power, as well as repairs and maintenance, were effectively controlled. Advertising was not part of the operational program of the case study merchant.

The more than average salary and rent percentage, using the survey proportions as a norm, were reflected in total operating expenses of 16.2 in contrast to 14.9 for the sample firms. In consequence, a net profit approximately 30 per cent less than the average was realized by Merchant A-- 9.2 per cent compared with the average 13.0 per cent.

Consideration should be given to the fact that average ratios are based upon the data received and reflect the typical performance, or range of performance, recorded by the reporting stores. In practice there is considerable variation between the operating results of one firm and another in retail trade. Any inferences drawn from the data are subject to qualifications resulting from these differences, which are due to the diverse sets of circumstances forming the operating backgrounds of individual establishments.

HIGHLIGHTS AND SUMMARY

IN 1946.....

- Gross margins of hardware and furniture stores were less than in the two previous years. Net profit revealed a similar trend in the hardware business, whereas for furniture there was a nominal increase during both 1945 and 1946.

- Total operating expenses, gross margins, and net profits, in relation to sales, decreased considerably for household appliance and radio stores since 1945. This decline is subject to modification when the increase in average net sales and reduction of the service factor are considered...

HOUSEHOLD APPLIANCE AND RADIO STORES

	1945	1946	% change 1946/1945
Gross margin	36.4	29.2	- 20%
Operating expenses ..	23.5	17.6	- 25%
Net profit	12.9	11.6	- 10%

- Year end inventories maintained by all types of business were a smaller per cent of net sales than in 1945, but stock turnover was accelerated.

- Average dollar sales per store were substantially augmented, with household appliance and radio stores revealing an increase of 125 per cent over 1945. Analysis of the sample for both years indicates that this increase is due to actual change in dollar volume rather than to variation in the group of stores selected for survey purposes.

HARDWARE STORES

1. The average hardware store realized a gross margin of 23.7 per cent in 1946, compared to 24.6 per cent in 1945 and 25.7 per cent in 1944. Operating expenses were much the same as during previous years leaving a smaller net profit on a larger turnover. (See Table 1, page 9).

2. Net profits generally decreased in ratio to sales in 1946 as the volume of business expanded. Gross margins followed a regular downward trend in rented stores, while the ratio to net sales in owned stores was irregular over the five size classes. Salaries and wages increased in ratio consistently with expanding volume of sales. (See Table 5, page 16).

3. In all sizes of business, rented stores obtained wider gross margins than owned stores and maintained this advantage with greater net profits for all except the middle size group. (See Table 5, page 16).

TABLE 1. - OPERATING RESULTS OF RETAIL HARDWARE STORES - 1944, 1945, 1946

Item	1944	1945	1946
Number of stores reporting	161	612	694
Average sales per store ..... $	37,296	36,441	46,053
Gross margin	25.7	24.6	23.7
Operating expenses:			
Employees' salaries and wages ...	6.4	5.8	6.1
Advertising	7.1	0.4	0.4
Store supplies		0.9	0.9
Bad debts		0.2	0.2
Occupancy expense		3.3	3.1
All other expenses		1.7	1.5
		6.5	6.1
Total operating expenses	13.5	12.3	12.2
Net profit before deduction of proprietors' salaries and income tax	12.2	12.3	11.5

(Items expressed as percentages of net sales)

FURNITURE STORES

1. Although the gross margin of furniture stores has been narrowed from 1944 to 1946, a reduction in total expenses resulted in a gain in net profit - 1946, 11.5 per cent; 1945, 11.0 per cent; **1944, 10.3 per cent.** **(See Table 2,** page 10).

2. Net profit and gross margins in ratio to net sales were somewhat irregular over the four size classes in both owned and rented stores. A considerable improvement was made in inventories at the end of the year in all sizes of business. Stock was sold and replaced more often in the larger than in the smaller size stores. (See Table 6, page 18)

3. In 1946 rented stores operated on wider gross margins and derived greater net profits than did owned stores. (See Table 6, page 18).

TABLE 2. - OPERATING RESULTS OF FURNITURE STORES - 1944, 1945, 1946

Item	1944	1945	1946
Number of stores reporting	120	204	188
Average net sales per store ..... $	44,350	54,657	76,944
Gross margin	29.9	28.0	26.7
Operating expenses:			
Employees' salaries and wages ...	7.7	6.7	6.2
Advertising	11.9	1.0	0.9
Store supplies		1.5	1.3
Bad debts		0.2	0.2
Occupancy expense		4.8	4.1
All other expenses		2.8	2.5
		10.3	9.0
Total operating expenses	19.6	17.0	15.2
Net profit before deduction of proprietors' salaries and income tax	10.3	11.0	11.5

(Items expressed as percentages of net sales)

HOUSEHOLD APPLIANCE AND RADIO STORES

1. In 1946, household appliance and radio stores operated on a gross margin of 29.2 per cent as compared to 36.4 per cent in 1945 and 35.2 per cent in 1944 Table 4 reveals that the percentage of service business decreased considerably, probably accounting in part for the drop in margin. Certain constant items of expense coupled with greatly increased average sales reduced the total expense ratio, leaving a net profit 11.6 per cent of net sales, only slightly less than that for former years. (See Table 3, page 11).

2. Gross margin in rented stores, in 1946, decreased in ratio as the volume of business expanded while net profits increased. The ratios of net and gross profits in owned stores were irregular in trend over the three size classes tabulated.

3. The proportion of service business decreased in all size and occupancy groups in 1946, with no class above 15.0 per cent. In 1944 the proportion of repair work ranged as high as 46.8 per cent. (See Table 4, below).

TABLE 3. - OPERATING RESULTS OF HOUSEHOLD APPLIANCE AND RADIO STORES - 1944, 1945, 1946

Item	1944	1945	1946
Number of stores reporting	105	117	134
Average net sales per store ..... $	17,688	19,764	44,560
Gross margin	35.2	36.4	29.2
Operating expenses:			
Employees' salaries and wages ...	8.4	9.9	8.5
Advertising	14.6	1.1	1.0
Store supplies		2.2	1.6
Bad debts		0.3	0.2
Occupancy expense		6.4	4.0
All other expenses		3.6	2.3
		13.6	9.1
Total operating expenses	23.0	23.5	17.6
Net profit before deduction of proprietors' salaries and income tax	12.2	12.9	11.6

(Items expressed as percentages of net sales)

TABLE 4. - PERCENTAGE OF SERVICE RECEIPTS IN HOUSEHOLD APPLIANCE AND RADIO STORES, BY SIZE AND OCCUPANCY CLASS - 1944, 1945, 1946

Size-of-Business	OWNED			RENTED		
	1944	1945	1946	1944	1945	1946
Less than $10,000 ...	19.7	15.9	6.8	46.8	22.0	15.0
$10,000 - $19,999 ...	21.8	18.6	7.3	21.6	20.9	14.0
$20,000 - $49,999 ...	(a)	12.2	11.4	16.5	12.2	8.8
$50,000 - $99,999 ...	(a)	(a)	6.4	(a)	(a)	6.1

(a) Not available.

COMPARISON OF OPERATIONS.....

GROSS MARGIN AND NET PROFIT

While the net profit ratio of furniture stores continued to advance in 1946, that of hardware stores, and household appliance and radio stores, diminished when compared with the net profit of the two previous years. Gross margin ratios for all three types of business were lower in 1946 than in any previous year for which figures are available. Hardware stores presented the least change in gross margin. The decline in the gross margin of appliance and radio stores must be viewed in the light of the decrease in service and repair work as indicated in Table 4, page 11. Net profits for the three kinds of business were almost identical in 1946.

GROSS MARGINS AND NET PROFITS - 1938, 1941, 1944, 1945, 1946

Year	HARDWARE		FURNITURE		HOUSEHOLD APPLIANCE & RADIO	
	Gross Margin	Net Profit	Gross Margin	Net Profit	Gross Margin	Net Profit
1938	25.6	5.5	33.5	4.3	(a)	(a)
1941	25.7	9.0	(a)	(a)	(a)	(a)
1944	25.7	12.2	29.9	10.3	35.2	12.2
1945	24.6	12.3	28.0	11.0	36.4	12.9
1946	23.7	11.5	26.7	11.5	29.2	11.6

(a) Not available.

AVERAGE SALES, INVENTORIES AND STOCK TURNOVER

Average sales per store were higher in 1946 than in any other year shown. The effect of curtailment of the supply of durable goods during the war was most evident in the average sales of household appliance and radio stores. A special tabulation of stores reporting in both years indicated that they slightly more than doubled their 1945 sales in 1946. The increase in average sales from $19,764 to $44,560 was not, therefore, occasioned by any change in the sample of stores reporting in the two years. The trend in inventory to sales relationship reveals the low point as the beginning of 1946 with inventories greater in dollar value at the end of 1946. The sharp drop in stock-sales ratio at the beginning of 1946 in household appliance and radio stores was occasioned by the increase in sales. Coincident with diminished stocks since 1938, the rate of turnover increased in all types of store. Data for these features in the three kinds of business under review follow, with no figures available for household appliance and radio stores in 1938 and 1941.

AVERAGE SALES, INVENTORIES AS PERCENTAGE OF SALES, AND STOCK TURNOVER - 1938, 1941, 1944, 1945, 1946

Year	HARDWARE				FURNITURE			
	Average sales per store	Inventory % of net sales		Stock turn-over	Average sales per store	Inventory % of net sales		Stock turn-over
		Begin-ning	End-ing			Begin-ning	End-ing	
	$				$			
1938	31,581	36.6	36.1	2.0	72,923	24.1	25.1	2.7
1941	26,353	32.1	35.0	2.2		(not available)		
1944	37,296	22.4	23.4	3.2	44,350	23.9	22.3	3.0
1945	36,441	22.3	23.5	3.3	54,657	17.0	18.9	4.0
1946	46,053	18.5	22.6	3.7	76,944	14.1	19.7	4.3

Year	HOUSEHOLD APPLIANCE AND RADIO			
	Average sales per store	Inventory % of net sales		Stock turn-over
		Begin-ning	End-ing	
	$			
1944	17,688	20.0	17.4	3.5
1945	19,764	15.6	17.6	3.8
1946	44,560	8.4	15.2	6.0

AVERAGE OPERATING EXPENSES

Because the ratio to net sales of most expense items varies with size-of-business, a comparison is made here of expenses in the middle size category - stores with net sales between $20,000 and $49,999. Salaries were the major single expense item in household appliance and radio stores where service functions constituted a greater part of the business. Furniture stores paid the greatest proportion for occupancy but for most other expenses, household appliance and radio dealers were highest. Hardware stores in this size class operated on the smallest expense ratio - 12.4 per cent of net sales as compared with the furniture total of 13.8 per cent and the appliance and radio ratio of 18.3 per cent. The average expense ratios for these three types of business in the $20,000 - $49,999 class are shown below.

AVERAGE OPERATING EXPENSES, 1946, IN STORES WITH NET SALES $20,000-$49,999

Expense	Hardware	Furniture	Household appliance & radio
Salaries	5.8	4.3	7.9
Supplies	0.9	1.4	2.2
Advertising	0.3	0.6	1.0
Occupancy	3.6	4.7	4.5
All other	1.8	2.8	2.7
TOTAL	12.4	13.8	18.3

GENERAL DISCUSSION, TABLES, AND CHART....

1. HARDWARE STORES

Satisfactory reports were received from 694 independent unincorporated retail hardware stores in 1946. The results for these stores were tabulated by five sizes of business and between owned and rented stores in each size.

Trends by Size of Business, (Table 5, page 16)

In 1946, gross margins in retail hardware stores ranged from 21.5 per cent to 28.7 per cent over the different size and occupancy groups. Net profits ranged from 17.2 per cent in the smallest size rented store to 10.9 in the largest and from 14.2 per cent to 9.5 per cent in owned stores. Increased salary expense in the large size stores was offset by lesser proportions of occupancy expense to average fairly even total expenses over the size classifications.

Businesses operated from rented premises obtained wider gross margins than did owned stores in all size classes. With the exception of the middle size class, this advantage was maintained by rented stores in net profit ratios. The dollar volume of net profits, following the same relationship between the two types of occupancy, ranged from $1,111 in the smallest class to $15,075 in the largest size-of-business class.

Every size of business carried a greater inventory at the end of the year than at the beginning. Stocks were replaced more frequently in the larger stores than in the smaller, with the rate in the year ranging from 1.7 to 4.8 times.

OPERATING RESULTS OF RETAIL HARDWARE STORES

GROSS MARGIN = NET PROFIT + SALARIES + OTHER EXPENSES

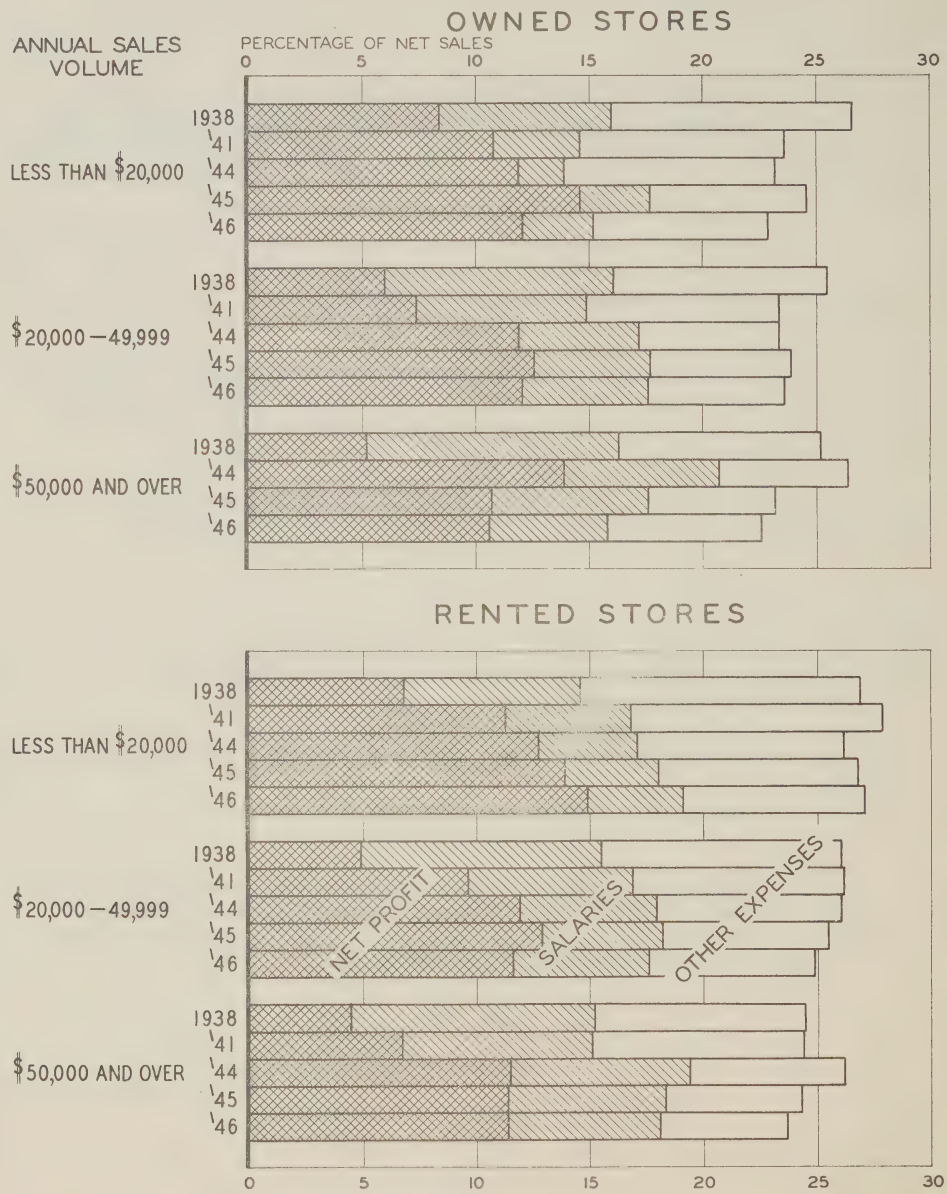


Table 5.--Hardware Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	29	62	159	58	16	19	40	167	107	37
Average net sales per store $	7,833	15,306	32,989	64,533	158,391	7,374	15,687	34,041	70,788	141,498
Average cost of goods sold, per store $	5,836	11,892	25,204	49,450	124,369	5,257	11,489	25,560	53,699	109,014
Average inventory beginning of year $	3,058	4,419	6,878	11,302	23,398	2,926	4,604	6,960	11,679	21,311
Average inventory end of year $	3,354	4,993	8,079	14,125	28,839	3,128	5,269	8,564	14,729	26,774
Stock turnover (times per year)	1.8	2.5	3.4	3.9	4.8	1.7	2.3	3.3	4.1	4.5
Average net profits per store $	1,111	1,776	3,995	7,319	14,989	1,267	2,261	3,961	8,431	15,075
Number of working proprietors	30	69	194	79	27	22	42	189	163	46
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross margin	25.5	22.3	23.6	23.4	21.5	28.7	26.8	24.9	24.1	23.0
Operating expenses:										
Employees' salaries and wages	2.8	3.1	5.5	5.9	6.6	1.2	4.8	6.0	6.5	7.0
Advertising	0.2	0.2	0.3	0.3	0.5	0.3	0.2	0.4	0.4	0.5
Store supplies	1.1	1.0	0.9	0.7	1.0	1.1	1.2	1.0	0.8	0.8
Bad debts	0.1	0.2	0.1	0.4	0.3	0.1	0.1	0.1	0.2	0.2
Taxes and insurance	2.1	1.5	1.1	1.0	0.7	1.4	0.7	0.7	0.5	0.5
Rent	-	-	-	-	-	4.0	2.5	2.0	1.3	1.1
Light, heat, and power	1.8	1.2	0.8	0.6	0.4	1.3	0.9	0.6	0.4	0.3
Repairs and maintenance	1.4	1.1	0.6	0.8	0.5	0.2	0.4	0.4	0.4	0.2
Depreciation	0.5	1.0	0.7	0.6	0.4	0.3	0.3	0.3	0.3	0.2
All other expenses	1.3	1.4	1.5	1.7	1.6	1.6	1.3	1.8	1.4	1.5
Total operating expenses	11.3	10.7	11.5	12.0	12.0	11.5	12.4	13.3	12.2	12.3
Net profits before deduction of proprietors' salaries and income tax	14.2	11.6	12.1	11.4	9.5	17.2	14.4	11.6	11.9	10.7

2. FURNITURE STORES

A total of 188 unincorporated furniture stores submitted suitable 1946 reports for this survey. When classified by size of business there were too few in both owned and rented categories with annual sales less than $10,000 to warrant publication of results.

Trends by Size of Business (Table 6, page 19)

In 1946, gross margins decreased in ratio with volume of business in owned stores and with the exception of the $20,000 - $49,999 group followed the same trend in rented stores. Net profits were irregular in trend over the different size classes.

Salaries paid to employees increased in ratio to net sales as the volume of business expanded while occupancy expenses declined in ratio. Advertising expense was proportionately greater in the larger size stores. Net profits, expressed in dollar value, ranged from $1,755 in the smallest size group to $23,088 in the largest.

Merchandise on hand at the end of 1946 exceeded that held at the beginning of the year in each size and occupancy class. The rate of turnover increased with sales volume, ranging from 2.0 times to 4.7 times per year.

3. HOUSEHOLD APPLIANCE AND RADIO STORES

Satisfactory reports were received from 134 retail stores in this classification. There is evidence of the resumption of a more 'normal' business pattern in the greater average sales per store and lesser proportion of service receipts, as indicated in tables 3 and 4, page 11.

When classified by size of business the smallest and largest sales-size classes were represented by too few stores to warrant publication of results.

Trends by Size-of-Business (Table 7, page 20)

The three size-of-business categories do not provide sufficient basis to trace a trend for gross margin or net profit percentages. Salary ratios were irregular in owned stores and changed little in rented stores.

Similar to most other kinds of business, the inventory in proportion to net sales, held at the end of 1946 exceeded the amount held at the beginning of the year. The rate of stock replacement increased with business volume.

Table 6.--Furniture Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES					RENTED STORES				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	SAMPLE	10	18	23	18	SAMPLE	10	36	41	27
Average net sales per store $		15,767	33,594	71,833	143,049		14,788	34,936	68,975	193,070
Average cost of goods sold, per store $		11,550	24,621	53,726	108,926		10,197	25,730	49,729	139,507
Average inventory beginning of year $		5,397	5,124	11,009	18,123		2,570	5,244	9,075	26,348
Average inventory end of year $		6,164	7,798	13,833	28,073		3,709	7,099	13,017	44,983
Stock turnover (times per year)		2.0	3.8	4.3	4.7		3.2	4.2	4.5	3.9
Average net profits per store $		1,755	4,203	7,119	12,260		2,209	4,432	8,989	23,088
Number of working proprietors		11	21	30	23		11	45	60	44
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross margin	TOO SMALL	26.7	26.7	25.2	23.9	TOO SMALL	31.0	26.4	27.9	27.7
Operating expenses:										
Employees' salaries and wages		5.1	4.7	6.3	6.7		3.7	4.1	5.4	7.2
Advertising		0.1	0.4	0.9	0.8		0.4	0.6	0.8	1.0
Store supplies		1.5	1.4	1.8	1.2		1.9	1.4	1.2	1.3
Bad debts		0.2	0.5	0.3	0.3		0.3	0.1	0.3	0.2
Taxes and insurance		2.4	1.9	1.2	1.1		0.9	0.9	0.9	0.7
Rent		-	-	-	-		3.9	2.6	2.3	1.7
Light, heat, and power		1.5	1.0	0.7	0.6		1.1	0.7	0.6	0.5
Repairs and maintenance		1.8	1.1	1.1	0.6		0.7	0.5	0.5	0.6
Depreciation		0.9	0.7	0.6	0.8		0.5	0.2	0.3	0.3
All other expenses		2.1	2.5	2.4	3.2		2.7	2.6	2.6	2.3
Total operating expenses		15.6	14.2	15.3	15.3		16.1	13.7	14.9	15.8
Net profits before deduction of proprietors' salaries and income tax		11.1	12.5	9.9	8.6		14.9	12.7	13.0	11.9

Table 7.--**Household Appliance and Radio Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946**

Item	OWNED STORES					RENTED STORES				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	SAMPLE	9	19	8	SAMPLE	SAMPLE	15	28	33	SAMPLE
Average net sales per store ... $		14,966	36,221	62,645			14,985	32,235	67,016	
Average cost of goods sold, per store ... $		10,638	25,214	45,963			10,325	22,867	48,003	
Average inventory beginning of year ... $		2,040	4,785	4,349			2,609	2,571	4,847	
Average inventory end of year ... $		3,487	7,559	9,453			3,799	4,485	9,133	
Stock turnover (times per year) ...		3.8	4.1	6.7			3.2	6.5	6.9	
Average net profits per store ... $		2,156	4,025	7,456			1,616	3,705	8,015	
Number of working proprietors ...		9	24	11			17	32	40	
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross margin	TOO SMALL	28.9	30.4	26.6	TOO SMALL	TOO SMALL	31.1	28.9	28.4	TOO SMALL
Operating expenses:										
Employees' salaries and wages		3.7	9.0	6.8			7.0	7.1	8.1	
Advertising		0.6	0.9	0.9			1.0	1.1	1.0	
Store supplies		1.8	2.6	1.2			2.6	1.9	1.5	
Bad debts		0.1	0.2	(a)			0.2	0.1	0.2	
Taxes and insurance		1.3	1.0	0.9			1.1	0.7	0.5	
Rent		-	-	-			2.7	1.8	1.6	
Light, heat, and power		1.4	1.0	0.6			1.0	0.6	0.4	
Repairs and maintenance		1.1	0.8	0.9			0.5	1.0	0.7	
Depreciation		2.3	1.5	0.7			1.1	0.6	0.3	
All other expenses		2.2	2.3	2.7			3.1	2.6	2.1	
Total operating expenses		14.5	19.3	14.7			20.3	17.5	16.4	
Net profits before deduction of proprietors' salaries and income tax		14.4	11.1	11.9			10.8	11.4	12.0	

(a) Less than 0.05 per cent.

GOVERNMENT OF CANADA

OPERATING RESULTS

AND

FINANCIAL STRUCTURE

RETAIL HARDWARE, FURNITURE APPLIANCE AND RADIO STORES

1948

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MERCHANDISING STATEMENT

1. TOTAL NET SALES OR RECEIPTS (INCLUDE ALL MERCHANDISE LESS ALLOWANCES; INCLUDE VALUE OF GOODS SOLD ON A COMMISSION BASIS, MEALS SOLD OR CONSUMED, SERVICE RECEIPTS, AND PROPRIETORS' WITHDRAWALS OF GOODS FOR THEIR OWN USE AT RETAIL PRICES) (DO NOT INCLUDE DIRECT SALES TAXES AND NON-TRADING REVENUES, SUCH AS RECEIPTS, DIVIDENDS, RENT, BAD DEBTS RECOVERED, ETC.)
2. INVENTORY OF MERCHANDISE FOR RESALE BEGINNING OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND.)
3. MERCHANDISE PURCHASED FOR RESALE AT INVOICED VALUE, LESS RETURNS, ALLOWANCES, CASH AND TRADE DISCOUNTS. (INCLUDE DUTY, INWARD FREIGHT, EXPRESS AND TRUCKAGE. EXCLUDE STORE SUPPLIES SHOWN UNDER ITEM 16.)
4. TOTAL, BEGINNING INVENTORY AND MERCHANDISE PURCHASED (ADD ITEMS 2 AND 3)
5. INVENTORY OF MERCHANDISE FOR RESALE, END OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND)
6. COST OF MERCHANDISE SOLD (SUBTRACT ITEM 5 FROM ITEM 4)
7. GROSS TRADING PROFIT OR MARGIN (SUBTRACT ITEM 6 FROM ITEM 1)

DOLLARS OMIT CENTS

EXPENSE STATEMENT

8. SALARIES, WAGES AND COMMISSIONS PAID TO ALL EMPLOYEES, EXCEPT DELIVERY (REPORT FULL AMOUNT BEFORE PAYROLL DEDUCTIONS. DO NOT INCLUDE WITHDRAWALS BY PROPRIETORS OR PARTNERS OF UNINCORPORATED BUSINESS.)
9. TAXES (INCLUDE BUSINESS, PROPERTY AND WATER TAXES, AND LICENCES. DO NOT INCLUDE INCOME TAX AND DIRECT TAXES COLLECTED BY THE STORE FOR THE GOVERNMENT.)
10. INSURANCE (INSURANCE PREMIUMS APPLICABLE TO YEAR REFER TO ALL TYPES CARRIED FOR PROTECTION OF THE BUSINESS.)
11. RENTALS FOR PREMISES USED IN BUSINESS.
12. HEAT, LIGHT AND POWER USED IN YEAR.
13. DELIVERY EXPENSE
    - (a) OWN EQUIPMENT
      - SALARIES
      - REPAIRS AND MAINTENANCE
      - DEPRECIATION, LICENSES AND INSURANCE
      - SUPPLIES USED (GAS, OIL, GREASE)
    - (b) TOTAL AMOUNT PAID FOR CONTRACT DELIVERY
    - TOTAL DELIVERY EXPENSE
14. REPAIRS AND MAINTENANCE (EXCLUDE CAPITAL EXPENDITURES)
15. DEPRECIATION ALLOWANCES (PLEASE SEE FOOTNOTE ON PAGE 1.) IF YOUR FIXED STORE ASSETS HAVE BEEN ENTIRELY DEPRECIATED, ENTER "NIL."
16. STORE SUPPLIES (WRAPPING PAPER, TWINE, OFFICE SUPPLIES, ETC.)
17. ADVERTISING
18. LOSS ON BAD DEBTS DURING THE YEAR
    - AMOUNT WRITTEN OFF DURING YEAR
    - LESS AMOUNT RECOVERED
    - TOTAL NET LOSS ON BAD DEBTS
19. ALL OTHER EXPENSES (TELEPHONE, TELEGRAPH, POSTAGE, BANK CHARGES, INTEREST ON BORROWED MONEY USED IN THE BUSINESS, LEGAL, AUDIT FEES, ETC.) (DO NOT INCLUDE CAPITAL EXPENDITURE OR PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS.)
20. TOTAL OPERATING EXPENSES (ADD ITEMS 8 TO 19 INCLUSIVE)

DOLLARS OMIT CENTS

NET TRADING PROFIT

21. NET TRADING PROFIT BEFORE DEDUCTIONS OF PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS AND BEFORE INCOME TAXES.

5. WORKING PROPRIETORS, PARTNERS AND PAID EMPLOYEES

A WORKING PROPRIETOR HAS BOTH AN OWNERSHIP INTEREST IN THE BUSINESS AND SPENDS PART OR ALL OF HIS OR HER TIME IN ITS MANAGEMENT.

NOTE: EMPLOYEES WORKING FOR ONLY PART OF THE REGULAR AND NORMAL PAY PERIOD ARE PART-TIME EMPLOYEES. IF BUSINESS IS INCORPORATED, WORKING EXECUTIVES AND OFFICIALS SHOULD BE INCLUDED IN SECTION 4, ITEM 8.

1. TOTAL SALARIES OR WITHDRAWALS OF PROPRIETORS OR PARTNERS IN 1948
2. WHAT WAS THE AVERAGE NUMBER OF PAID EMPLOYEES IN 1948?
   - FULL-TIME EMPLOYEES
   - PART-TIME EMPLOYEES

6. BALANCE SHEET FOR YEAR 1948

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHAREHOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

BALANCE SHEET FOR YEAR 1947

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHAREHOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

7. ANNUAL SALES TRENDS

		DOLLARS OMIT CENTS
IN ORDER TO PROVIDE COMPARABLE FIGURES FROM YEAR TO YEAR, PLEASE STATE YOUR TOTAL SALES. (SALES FOR 1948 SHOULD AGREE WITH AMOUNT GIVEN IN SECTION 4, ITEM 1)	TOTAL SALES FOR 1948	
	TOTAL SALES FOR 1947	

THE INFORMATION GIVEN ON THIS SCHEDULE IS CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

NAME OF FIRM _____

DATE OF REPORT _____ SIGNATURE _____

PERIOD COVERED FROM _____ TO _____

DEFINITIONS .....

PROFIT AND LOSS

NET SALES represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS PROFIT is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

- Salaries and wages (except delivery) - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in independent store operations).
- Taxes and Insurance - business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.
- Rentals - monies paid for premises used only in the business.
- Heat, light and power expenses - amount paid for these used during the year.
- Delivery expense - includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).
- Repairs and maintenance - incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).
- Depreciation - allowances to cover decreases in the value of fixed store assets.
- Store supplies - used in the business during the year - wrapping paper, office supplies.
- Advertising
- Loss on bad debts - during the year - amount written off Less old debts recovered.
- Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

BALANCE SHEET

ASSETS

Cash on hand - or in the bank represents the amount of cash at the end of the year.

Net accounts receivable - are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventories - represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets includes assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) - is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation.

Other assets - include deferred charges - items of expenditure from which future benefits are expected - intangibles such as goodwill, investments of a permanent nature not readily converted into cash.

LIABILITIES AND NET WORTH

Current liabilities - are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Other liabilities - (includes fixed liabilities) - mortgages, mortgage bonds and long-term notes, accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income - money received in advance for which goods or services have not yet been given.

Capital stock - as applicable to incorporated companies represents the investment account of the stockholder in the capital shares of the corporation and does not exceed the amount authorized.

Surplus - as applicable to corporations includes earned surplus from operating profits, capital surplus, from premiums received on the sale of capital stock, and surplus reserves.

Net worth - is the difference between total assets and total liabilities and represents owners' equity in the business. This is composed of capital stock and surplus.

Note: In unincorporated firms capital and surplus are not shown separately because the majority of reports from these firms did not separate surplus from capital. For practical purposes, then, net worth represents the capital of unincorporated businesses.

LIST OF ALLIED PUBLICATIONS

ANNUAL:

- Food Chains in Canada
- Variety Chains in Canada
- Drug Chains in Canada
- Retail Chains in Canada
- Retail Trade

QUARTERLY:

- Retail Consumer Credit

MONTHLY:

- Department Store Sales and Inventories
- Retail Trade
- Wholesale Trade

SPECIAL:

- Operating Results Series
  - Independent Stores - 5 bulletins, 20 trades (1948 survey includes Balance Sheet data)
  - Wholesalers - 3 bulletins, 10 trades
  - Chain Stores - 3 bulletins, 10 trades

The above publications may be obtained by writing to the

Dominion Bureau of Statistics, Ottawa

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES 1948

INTRODUCTION

This report, presenting operating results of independent hardware, furniture, household appliance and radio stores, 1948, continues the series of bulletins published in 1944, 1945 and 1946. The survey is based upon operating statements contributed by a sample of firms throughout the country.

An important addition to the 1948 studies will be found in the analysis of Balance Sheet data of the responding firms. This provides information on the financial position of the various trades by size and occupancy groups. From this additional information, many useful ratios are made available such as those between balance sheet items, known as static ratios, and those obtained by relating the operating figures, known as velocity ratios. Previous bulletins have been prepared for the purpose of presenting average expense and profit ratios on the year's operations which might be used by merchants as a comparison to their own individual results.

These studies do not attempt to deal with methods of operation or their possible improvement, but present operating and financial statement 'averages' for independent retail trades by size and occupancy classes. No regional analysis has been made, the sample having been designed to produce national averages only.

For hardware stores, a distinction has been made between unincorporated and incorporated businesses while the sample in the other trades covered only unincorporated stores. In the profit and loss section, the salaries figure for incorporated firms includes amounts paid to executives, while for unincorporated stores, proprietors' withdrawals remained a part of net profit. In the balance sheet section, segregation of capital stock and the surplus account was possible for incorporated firms, but the majority of unincorporated firms reported the two items as one amount - capital.

Chain stores are dealt with in a separate survey alternated each year with the studies on independent stores.

USE OF OPERATING AND FINANCIAL RATIOS

An orderly system of bookkeeping is essential if the best use is to be made of the ratios in this report. Reference should also be made to the list of definitions provided on pages 4 and 5 of this bulletin. Following are a few brief comments on both the Profit and Loss Statement and Balance Sheet results, illustrating the use and purposes of this study.

PROFIT AND LOSS

The retail merchant, reviewing his year's operations and planning improvements and economies in certain phases of his activities may become aware of the following important questions:

1. What is an adequate profit for his line of business?

2. What amount of inventory should be carried and how many times a year should it be turned over?

3. What proportion of sales should be paid out in wages to employees?

4. What part of sales should be spent on other operating expenses?

This bulletin presents 'average' results for comparison purposes. All major profit and expense items are expressed as percentages of net sales. Where there was a sufficient number of responding firms, this information was broken down into five sales-size classes for owned and rented stores.

Certain refinements in expense items have been made by segregating delivery expense. The components of this item were contained in certain other items in previous bulletins. This has had an effect on comparison with expenses shown for previous years in earlier bulletins of this series.

BALANCE SHEET

The financial effects of changes in operating plans and policies may be observed by comparison of balance sheets for succeeding years. As this is the first study made by this Bureau on Balance Sheet data we can present only the item averages as they stood at the end of 1946. These averages and ratios, however, should be of considerable value as an indication of what a merchant's own financial position might be. Where possible, a division has been made by age of business within size and occupancy groups. An analysis of financial statements should produce the following information.

1. Ability to meet current and long-term obligations.

2. Owners' net worth or equity in the business.

3. Potential productivity of the business.

Important ratios from the Balance Sheet are:

1. Current assets to current liabilities - often called the "current ratio". This ratio indicates the ability of the business to meet current obligations out of current assets. Its changes indicate whether a business is gaining or losing working capital.

2. Current assets to fixed assets: Fixed assets should not be expanded at the expense of current assets needed for operating expenses and inventory purchases. Decreases in this ratio may indicate any tendency toward over-investment in fixed assets.

3. Net quick assets to net worth: The ratio of net quick assets (current assets minus current liabilities - also called working capital) to net worth discloses how much of proprietors' capital or net worth is in the form of quickly convertible assets free from current obligation.

4. Liabilities to net worth shows the relationship between total debt and owned capital. This ratio will fluctuate at times when seasonal buying creates higher liabilities while net worth remains uniform.

Ratios of particular use in dealing with other aspects of business may also be calculated from figures in this report. A division between capital and surplus was not feasible for businesses of individual ownership or partnerships.

VELOCITY RATIOS. These are ratios between certain profit and loss and balance sheet items.

1. Cost of merchandise sold to inventories is a fairly uniform ratio and is a good test of efficiency. A decrease in this ratio will indicate an overstocked condition. Because beginning and year-end inventories are shown in the profit and loss statement, this ratio or rate of stock turnover is calculated from the average of these two inventories and is shown with the profit and loss tables in this bulletin.

2. Sales to net worth, or in the case of incorporated firms to owned capital, determines the relative use of capital in conducting business. After a certain ratio has been established to govern employment of capital for a given volume of sales, any fluctuation will indicate to what extent capital is being accumulated beyond profitable investment or vice versa.

3. The ratio of sales to fixed assets measures the relationship between sales and the investment in fixed assets to produce such sales. This ratio is of lesser significance in the rented class where there is a smaller investment in equipment than in owned stores. Fluctuation in prices must be considered in comparing this ratio over any long period, because fixed assets are not re-valued as prices of goods sold increase or decrease.

4. Net profit to net worth ratio shows the relationship between net profit and the proprietors' equity in the business.

Other velocity ratios may be calculated, one of which is "accounts receivable to sales". This ratio is of value only where the amount of credit sales is known. This study did not ask for this information, but the quarterly series "Retail Consumer Credit" published by the Merchandising and Services Section of the Dominion Bureau of Statistics contains information on this subject. Cash and credit sales, and accounts receivable subdivided into instalment and charge accounts are published in the form of indexes for 16 trades. Basic data to make comparisons may be taken from tabulations of the 1941 Census of Merchandising and Services Establishments.

Newfoundland was not included in this survey.

* * * * * * * * *

The assistance and guidance of the CANADIAN RETAIL FEDERATION throughout this survey is gratefully acknowledged.

* * *

COMPARISON OF MAIN ITEMS BY TRADES

GROSS AND NET PROFIT

Of the three trades, hardware stores have shown the smallest change in profits since 1944 and household appliance and radio stores the greatest. Hardware stores increased their gross profit slightly from 23.7% in 1946 to 24.7% in 1948 while net profit remained at 11.5% of net sales. Furniture stores maintained the same gross margin in 1948 as in 1946 (26.7% of net sales) but greater operating expenses reduced net profit from 11.5% in 1946 to 9.6% in 1948. A considerable decrease occurred in both gross and net profits of household appliance and radio stores. The 1945 gross profit of 36.4% was reduced to 29.2% in 1946 and to 27.4% in 1948. Net profit dropped from 12.9% in 1945 to 11.6% in 1946 and to 9.5% in 1948.

GROSS MARGINS AND NET PROFITS - 1938, 1941, 1944-1946, 1948

Year	HARDWARE		FURNITURE		HOUSEHOLD APPLIANCE AND RADIO	
	Gross Profit	Net Profit	Gross Profit	Net Profit	Gross Profit	Net Profit
1938 ..	25.6	5.5	33.5	4.3	(a)	(a)
1941 ..	25.7	9.0	(a)	(a)	(a)	(a)
1944 ..	25.7	12.2	29.9	10.3	35.2	12.2
1945 ..	24.6	12.3	28.0	11.0	36.4	12.9
1946 ..	23.7	11.5	26.7	11.5	29.2	11.6
1948 ..	24.7	11.5	26.7	9.6	27.4	9.5

(a) Not available.
Note: Net profit includes proprietors' salaries and income tax.

AVERAGE SALES, INVENTORIES AND STOCK TURNOVER

The increasing availability of merchandise in 1946 coupled with brisk consumer demand produced a high rate of stock turnover by all trades in that year. This rate of stock turn ranged from 3.7 in hardware stores to 6.0 times per year in appliance and radio stores. Since 1946 inventories have been built up and the turnover rate reduced to a range of from 3.0 to 4.7 times per year.

The results of the sample used in this study show furniture stores to be the largest in average sales and dollar volume of inventory. However, the average sales from the sample for the different years are not to be taken as an indicator of the trend in total retail sales. These average sales are quoted here to enable individual merchants to make proper adjustment for their sales-size when making comparisons with the operating ratios presented.

AVERAGE SALES, INVENTORIES AND STOCK TURNOVER - 1938, 1941, 1944-1946, 1948

Year	HARDWARE				FURNITURE			
	Average sales per store	Inventories		Stock turnover *	Average sales per store	Inventories		Stock turnover *
		Beginning	Ending			Beginning	Ending	
	$	$	$		$	$	$	
1938 .	31,581	11,559	11,401	2.0	72,923	17,574	18,304	2.7
1941 .	26,353	8,459	9,224	2.2		(not available)		
1944 .	37,296	8,354	8,727	3.2	44,350	10,600	9,890	3.0
1945 .	36,441	8,126	8,564	3.3	54,657	9,292	10,330	4.0
1946 .	46,053	8,520	10,408	3.7	76,944	10,849	15,158	4.3
1948 .	55,200	13,246	14,754	3.0	101,092	22,621	24,315	3.2

Year	HOUSEHOLD APPLIANCE AND RADIO			
	Average sales per store	Inventories		Stock turnover *
		Beginning	Ending	
	$	$	$	
1944	17,688	3,538	3,078	3.5
1945	19,764	3,083	3,478	3.8
1946	44,560	3,743	6,773	6.0
1948	80,944	12,013	12,920	4.7

* Times per year.

AVERAGE OPERATING EXPENSES

The largest single item of expense was for salaries and wages which ranged from 6.48% of sales in hardware stores to 9.07% in household appliance and radio stores.

Occupancy costs were shown to be highest in furniture stores at 4.10% of net sales. Delivery expense was 2.00% of sales also highest among the three trades. Expenditures for advertising were proportionately much higher in the case of appliance and radio and furniture stores than in hardware stores.

OPERATING EXPENSES FOR 1948

Item	Hardware	Furniture	Household Appliance and Radio
Salaries and wages	6.48	6.79	9.07
Occupancy	3.19	4.10	3.08
Delivery	1.11	2.00	1.67
Store supplies	.38	.42	.45
Advertising	.52	1.36	1.46
All other	1.57	2.47	2.13
Total	13.25	17.14	17.86

Items expressed as percentage of net sales.

FINANCIAL POSITION

Owned and rented stores were separated for the tabulation of balance sheet data because of the greater amount of fixed investment in owned stores. With the exception of owned appliance and radio stores, both occupancy groups of the three trades had a "current ratio" of over 2. Hardware stores were in the best position and had current assets over four times as large as current liabilities. Owned appliance stores had current assets of $1.95 to meet every $1.00 of current liabilities. Hardware stores also had the most favourable ratio of liabilities to net worth having only 29% and 34% liability obligations against net worth for owned and rented groups respectively.

Household appliance and radio stores transacted the greatest dollar volume of sales per $1.00 net worth while hardware stores in the owned class and furniture stores in the rented group made the best use of their fixed assets in producing sales. Other ratios on financial structure are shown below.

FINANCIAL AND OPERATING RATIOS COMPARED, DECEMBER 31, 1948

Item	OWNED			RENTED		
	Hardware	Furniture	Household Appliance and Radio	Hardware	Furniture	Household Appliance and Radio
Current assets to current liabilities	4.30	2.29	1.95	4.08	2.38	2.45
Current assets to fixed assets	2.83	2.03	1.56	12.26	17.47	7.01
Net quick assets to net worth	.71	.58	.53	.91	.95	.81
Liabilities to net worth	.29	.59	.80	.34	.78	.59
Sales to net worth	2.28	2.29	3.22	3.19	3.64	4.44
Sales to fixed assets	7.00	4.55	4.63	32.32	38.87	22.79
Net profit to net worth	.25	.23	.31	.37	.32	.41

SUMMARIES, CHARTS AND TABLES.

1. HARDWARE STORES

Reports suitable for tabulation of Profit and Loss data were received from 531 independent unincorporated hardware stores and from 95 incorporated firms. These were segregated into five sales-size ranges for both owned and rented stores. Reports received from unincorporated rented stores with annual net sales of less than $10,000 were too few to permit publication of results. The incorporated firms fell into two sales sizes for owned and three sizes for rented stores.

Balance Sheet data were secured from a smaller number of unincorporated firms and the three largest size-classes were tabulated to give average results from 307 reports. The number of reports from incorporated firms showing complete balance sheet data was 67.

The operating results and financial structure of hardware stores in 1948 are summarized as follows:

1. Unincorporated hardware stores operated on slightly greater gross margins in 1948 than in 1946 - 24.7% and 23.7 per cent of net sales respectively. Incorporated firms obtained an average gross profit of 26.2% in 1948. Results of incorporated hardware stores are not available for previous years.

   The 1948 average net profit of unincorporated stores, 11.5%, was the same ratio as that realized in 1946 but represented a greater dollar volume due to the rise in average sales per store from $46,053 in 1946 to $55,200 in 1948. (Table 1, page 16).

2. In 1948, the ratio of gross profit in unincorporated stores generally decreased with greater sales volume. The trend of net profit was more irregular but for both gross and net profits the range over the different sales-size categories was not great. The occupancy cost items - taxes, insurance, rent, heat, light and power, repairs and depreciation - decreased in proportion to sales as volume of business increased, as did store supplies and 'other' expenses. Salaries, advertising and bad debt losses increased proportionately with greater dollar volume of sales. (Table 2, page 18).

3. The trends of operating expenses in the incorporated type of stores were more irregular than in the unincorporated class. Owned stores operated on higher ratios of gross profit and netted greater profits proportionately than did rented stores. All size and occupancy groups shown reported a greater dollar volume of stock at the end of the year than at the beginning and the rate of stock turnover ranged from 2.66 to 3.31 times per year. (Table 3, page 19).

4. All size and age classes of both owned and rented unincorporated stores had very favourable ratios of current assets to current liabilities. Owned stores had from $3.33 to $5.10 current assets to meet every dollar of current obligation. Rented stores averaged from $2.64 to $5.96 over the different size and age groups per dollar of current liability.

   The larger sized stores, and within each size the older stores, had a lower ratio of total liabilities to net worth. Over all age, size and occupancy classes of unincorporated hardware stores the range was from 21¢ liability for every $1.00 net worth to 56¢. Other financial ratios for these stores at December 31, 1948 are contained in tables 4 and 5, pages 20 and 21).

5. At December 31, 1948, the different size and occupancy classes of incorporated hardware stores had from $2.77 to $4.08 current assets to meet every $1.00 of current liability. Over 50% of net worth was in the form of working capital or current assets free from current obligation. This ratio was greater in the rented class where the average net worth is smaller due to the absence of fixed asset investment. In both owned and rented stores, a greater dollar volume of sales was made for each dollar of capital in the larger sized businesses. (Table 6, page 22).

Table 1. - Operating Results of Hardware Stores, 1944-1946, 1948

Item	UNINCORPORATED				INCORPORATED
	1944	1945	1946	1948	1948
Number of stores reporting ...	161	612	694	531	95
Average net sales ..... $	37,296	36,441	46,053	55,200	129,003
Gross profit	25.7	24.6	23.7	24.7	26.2
Operating expenses	13.5	12.3	12.2	13.2	19.7
Net profit before deduction of income tax (1)	12.2	12.3	11.5	11.5	6.5

(1) For unincorporated stores this ratio included proprietors' salaries.

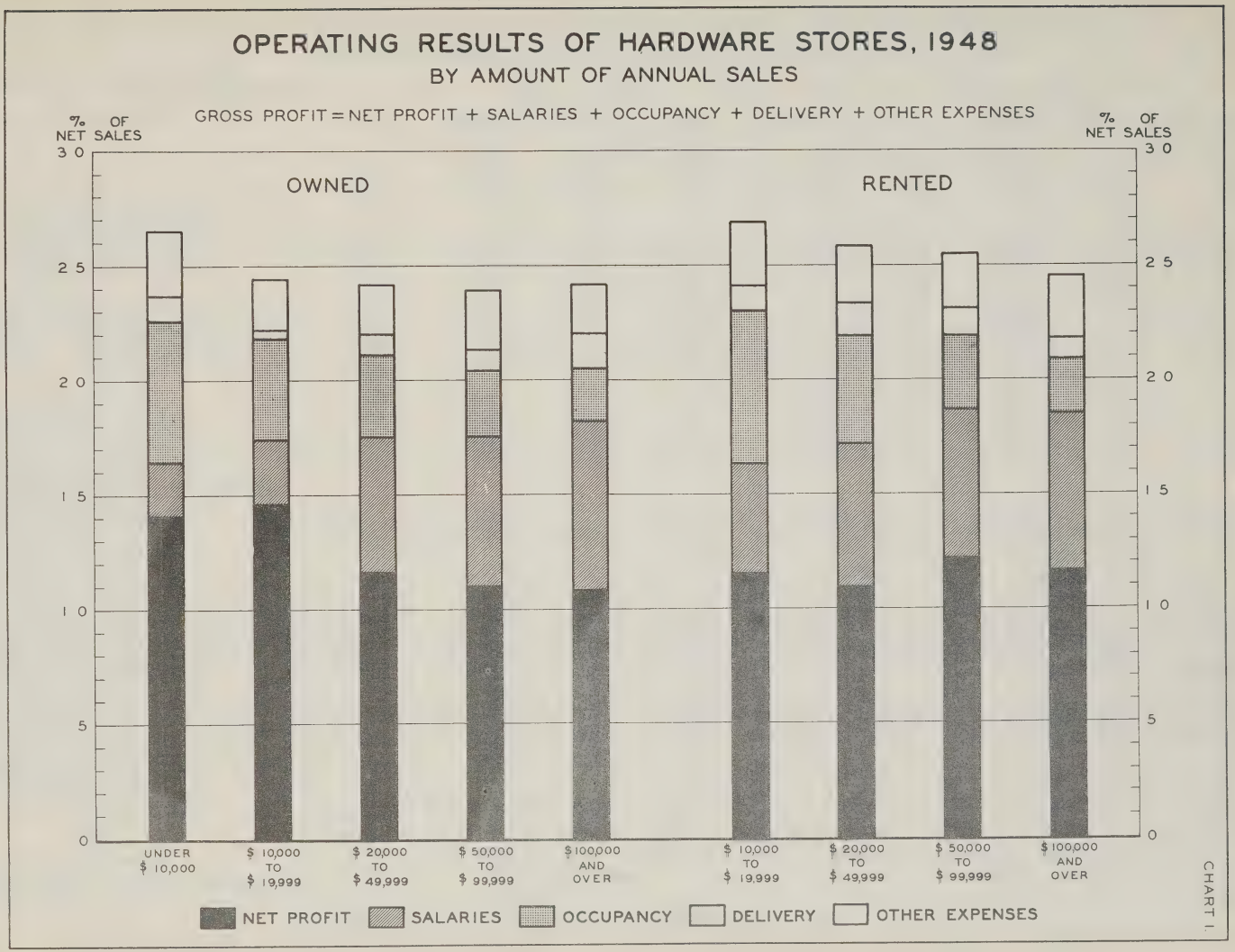
OPERATING RESULTS OF HARDWARE STORES, 1948
BY AMOUNT OF ANNUAL SALES
GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + DELIVERY + OTHER EXPENSES
% OF NET SALES
30
25
20
15
10
5
0
OWNED
RENTED
UNDER $ 10,000
$ 10,000 TO $ 19,999
$ 20,000 TO $ 49,999
$ 50,000 TO $ 99,999
$ 100,000 AND OVER
NET PROFIT
SALARIES
OCCUPANCY
DELIVERY
OTHER EXPENSES

CHART I.

Table 2.--Hardware Stores - Operating Results of Unincorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED STORES					RENTED STORES			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	16	28	130	79	26	25	101	84	36
Average net sales per store $	6,789	16,365	34,100	68,854	144,735	15,181	35,298	70,183	145,054
Average cost of goods sold $	4,994	12,378	25,840	52,372	109,740	11,103	26,196	52,251	109,533
Average beginning inventory $	3,327	5,764	9,768	16,323	29,862	6,231	9,657	15,854	27,859
Average inventory, end of year $	3,545	6,257	10,813	18,491	33,128	6,762	10,592	17,774	31,279
Stock turnover (times per year)	1.45	2.06	2.51	3.01	3.48	1.71	2.59	3.11	3.70
PROFIT AND LOSS DATA (Per cent of net sales)									
Gross profit	26.45	24.36	24.22	23.94	24.18	26.86	25.79	25.54	24.49
Operating expenses:									
Employees' salaries and wages (except delivery)	2.31	2.83	5.89	6.49	7.42	4.82	6.31	6.53	6.92
Taxes	1.97	.85	.76	.56	.44	.53	.35	.24	.15
Insurance	.91	.78	.62	.50	.42	.63	.50	.42	.32
Rent	-	-	-	-	-	3.31	2.34	1.53	1.17
Heat, light and power	1.72	1.28	.83	.63	.41	1.16	.68	.45	.27
Delivery	1.08	.37	.88	.93	1.50	1.08	1.40	1.24	.92
Repairs and maintenance	.86	.62	.63	.54	.51	.66	.34	.30	.21
Depreciation allowances	.70	.82	.71	.65	.48	.39	.46	.29	.30
Store supplies	.62	.45	.40	.38	.34	.67	.37	.36	.37
Advertising	.25	.35	.35	.52	.51	.40	.47	.54	.74
Bad debts - written off	.16	.08	.13	.16	.18	.14	.13	.19	.25
(Less) amount recovered	-	-	-	-	-	-	-	-	-
Net bad debt loss	.16	.08	.13	.16	.18	.14	.13	.19	.25
All other expenses	1.77	1.31	1.45	1.63	1.15	1.58	1.53	1.27	1.30
Total operating expenses	12.35	9.74	12.65	12.99	13.36	15.37	14.88	13.36	12.92
Net trading profit before deduction of proprietors' salaries and income tax	14.10	14.62	11.57	10.95	10.82	11.49	10.91	12.18	11.57

Table 3.--Hardware Stores - Operating Results of Incorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED STORES		RENTED STORES		
	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	9	17	13	28	25
Average net sales per store $	78,431	229,057	35,575	77,545	195,517
Average cost of goods sold $	57,319	163,505	26,105	56,993	148,640
Average beginning inventory $	17,142	50,348	9,135	19,501	42,955
Average inventory, end of year $	17,449	54,445	10,530	22,059	47,521
Stock turnover (times per year)	3.31	3.12	2.66	2.74	3.29
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit	26.92	28.62	26.62	26.50	23.97
Operating expenses:					
Employees' salaries and wages (except delivery)	12.05	12.99	14.07	13.80	11.69
Taxes	.90	.48	.30	.42	.28
Insurance	.49	.60	.40	.45	.36
Rent	-	-	2.46	1.76	1.47
Heat, light and power	.69	.44	.55	.55	.28
Delivery	2.04	.55	.89	1.27	1.03
Repairs and maintenance	.38	.51	.23	.39	.22
Depreciation allowances	.70	.66	.18	.28	.29
Store supplies	.47	.40	.43	.40	.32
Advertising	.59	.90	.81	.83	.83
Bad debts - written off	.32	.34	.26	.13	.26
(Less) amount recovered	-	.05	.01	-	-
Net bad debt loss	.32	.29	.25	.13	.26
All other expenses	1.75	1.85	1.11	1.62	1.41
Total operating expenses	20.38	19.67	21.68	21.90	18.44
Net trading profit before deduction of income tax	6.54	8.95	4.94	4.60	5.53

Table 4.--Hardware Stores - Owned - Financial Structure of Unincorporated Stores by Size and Age of Business December 31, 1948

Item (*) (Average per store)	$20,000 - $49,999			$50,000 - $99,999			$100,000 and Over	Total all Sizes (over $20,000
	Under 10 years	10 years & over	Total	Under 10 years	10 years & over	Total	Total	
Assets								
Current assets:								
Cash on hand or in bank	1,658	2,727	2,338	3,487	4,545	4,192	7,605	3,723
Net accounts receivable	1,607	1,604	1,605	3,830	3,542	3,638	15,108	4,082
Merchandise inventory	10,490	10,235	10,328	19,847	18,645	19,046	31,675	16,413
Other current assets	66	650	438	887	1,409	1,255	8,593	1,764
Total current assets	13,821	15,216	14,709	28,051	28,141	28,111	62,981	25,982
Net fixed assets	6,451	5,990	6,187	9,260	10,969	10,400	17,061	9,183
Other assets	751	1,251	1,069	275	748	590	3,618	1,196
Total assets	21,023	22,457	21,935	37,586	39,858	39,101	83,660	36,361
Liabilities and Net Worth:								
Current liabilities	3,899	3,239	3,479	8,435	6,574	7,194	12,347	6,044
Other liabilities	1,770	650	1,057	4,864	1,945	2,919	3,196	2,056
Total liabilities	5,669	3,889	4,536	13,299	8,519	10,113	15,543	8,100
Net Worth	15,354	18,568	17,399	24,287	31,339	28,988	68,117	28,261
Total Liabilities and Net Worth ...	21,023	22,457	21,935	37,586	39,858	39,101	83,660	36,361
Sales	31,428	41,984	38,145	67,108	69,935	68,993	151,432	64,362
Net Profit	3,636	4,857	4,413	7,348	7,658	7,555	16,385	7,137
Ratios:								
Current assets to current liabilities	3.54	4.70	4.23	3.33	4.28	3.91	5.10	4.30
Current assets to fixed assets ..	2.14	2.54	2.39	3.03	2.57	2.70	3.69	2.83
Net quick assets to net worth ...	.65	.65	.65	.81	.69	.72	.74	.71
Liabilities to net worth	.37	.21	.26	.55	.27	.35	.23	.29
Sales to net worth	2.05	2.26	2.19	2.76	2.23	2.38	2.22	2.28
Sales to fixed assets	4.87	7.01	6.19	7.25	6.38	6.63	8.88	7.00
Net profit to net worth	.24	.26	.25	.30	.24	.26	.24	.25

(*) See definitions on page 5 for more detail description.

Table 5.--Hardware Stores - Rented - Financial Structure of Unincorporated Stores by Size and Age of Business December 31, 1948

Item (*) (Average per store)	$20,000 - $49,999			$50,000 - $99,999			$100,000 and Over			Total all Sizes (over $20,000)
	Under 10 years	10 years & over	Total	Under 10 years	10 years & over	Total	Under 10 years	10 years & over	Total	
Assets										
Current assets:										
Cash on hand or in bank ..	2,363	2,270	2,296	2,965	5,499	4,770	10,000	6,966	8,382	4,330
Net accounts receivable ..	1,721	1,079	1,261	2,942	3,857	3,594	10,732	9,923	10,301	3,762
Merchandise inventory ...	10,034	9,889	9,931	18,253	17,860	17,974	30,677	30,387	30,523	16,687
Other current assets	145	908	691	312	1,105	876	2,408	2,692	2,559	1,093
Total current assets	14,263	14,146	14,179	24,472	28,321	27,214	53,817	49,968	51,765	25,872
Net fixed assets	1,099	1,148	1,134	2,997	2,625	2,732	3,508	2,837	3,150	2,110
Other assets	548	138	255	97	286	231	2,941	2,011	2,445	632
Total assets	15,910	15,432	15,568	27,566	31,232	30,177	60,266	54,816	57,360	28,614
Liabilities and Net Worth:										
Current liabilities	5,400	3,921	4,341	7,797	6,581	6,932	9,029	10,738	9,941	6,335
Other liabilities	329	369	357	1,390	503	758	3,380	1,907	2,594	908
Total liabilities	5,729	4,290	4,698	9,187	7,084	7,690	12,409	12,645	12,535	7,243
Net Worth	10,181	11,142	10,870	18,379	24,148	22,487	47,857	42,171	44,825	21,371
Total Liabilities and Net Worth	15,910	15,432	15,568	27,566	31,232	30,177	60,266	54,816	57,360	28,614
Sales	36,149	34,434	34,921	65,059	72,556	70,397	157,457	134,916	145,435	68,197
Net Profit	3,944	3,757	3,810	7,924	8,837	8,574	18,218	15,610	16,827	7,957
Ratios:										
Current assets to current liabilities	2.64	3.61	3.27	3.14	4.30	3.93	5.96	4.65	5.21	4.08
Current assets to fixed assets	12.98	12.32	12.50	8.17	10.79	9.96	15.34	17.62	16.43	12.26
Net quick assets to net worth	.87	.92	.91	.91	.90	.90	.94	.93	.93	.91
Liabilities to net worth ...	.56	.39	.43	.50	.29	.34	.26	.30	.28	.34
Sales to net worth	3.55	3.09	3.21	3.54	3.00	3.13	3.29	3.20	3.24	3.19
Sales to fixed assets	32.89	29.99	30.79	21.71	27.64	25.77	44.89	47.56	46.17	32.32
Net profit to net worth	.39	.34	.35	.43	.37	.38	.38	.37	.38	.37

(*) See definitions on page 5 for more detail description.

Table 6.--Hardware Stores - Financial Structure of Incorporated Stores Classified According to Size and Occupancy Basis December 31, 1948

Item (*) (Average per store)	OWNED STORES			RENTED STORES			
	$50,000 to $99,999	$100,000 and Over	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total
Assets							
Current assets:							
Cash on hand or in bank	4,707	14,965	11,726	1,710	3,790	8,404	4,798
Net accounts receivable	4,695	21,968	16,513	1,080	5,146	11,414	6,258
Merchandise inventory	17,094	64,815	49,608	10,490	21,337	45,976	26,778
Other current assets	441	12,763	8,872	898	1,282	4,009	2,054
Total current assets	26,937	114,311	86,719	14,178	31,555	69,803	39,888
Net fixed assets	14,461	30,149	25,195	935	3,006	3,825	2,830
Other assets	8,442	6,289	6,968	1,526	2,948	5,195	3,354
Total assets	49,840	150,749	118,882	16,639	37,509	78,823	46,072
Liabilities and Net Worth:							
Current liabilities	6,602	30,694	23,086	4,267	8,748	25,230	12,965
Other liabilities	3,514	16,058	12,096	1,618	1,212	4,146	2,213
Total liabilities	10,116	46,752	35,182	5,885	9,960	29,376	15,178
Net Worth	39,724	103,997	83,700	10,754	27,549	49,447	30,894
Total Liabilities and Net Worth	49,840	150,749	118,882	16,639	37,509	78,823	46,072
Sales	80,974	255,546	200,418	34,419	78,004	198,916	106,709
Net Profit	5,296	22,871	17,321	1,700	3,588	11,000	5,511
Ratios:							
Current assets to current liabilities	4.08	3.72	3.76	3.32	3.61	2.77	3.08
Current assets to fixed assets	1.86	3.79	3.44	15.17	10.50	18.25	14.09
Net quick assets to net worth	.51	.80	.76	.92	.83	.90	.87
Liabilities to net worth	.25	.45	.42	.55	.36	.59	.49
Sales to capital	3.31	5.82	5.31	5.46	5.47	9.23	7.18
Sales to fixed assets	5.60	8.48	7.95	36.81	25.95	52.00	37.71
Net profit to net worth	.13	.22	.21	.16	.13	.22	.18

(*) See definitions on page 5 for more detail description.

2. FURNITURE STORES

A total of 137 suitable reports was received from unincorporated furniture stores. When arranged by volume of annual net sales there were too few in the size classes below $20,000 sales, to warrant publication of results.

Figures on the balance sheet were submitted by 100 firms in the three largest size classes, results for which are shown in both occupancy groups. Operating results and financial structure of furniture stores for 1948 are summarized below:

1. While the gross profit of furniture stores remained unchanged from 1946, at 26.7% of net sales, a greater ratio of operating expenses reduced net profit from 11.5% in 1946 to 9.6% in 1948. An increase in average sales per store, however, resulted in an actually greater dollar net profit in 1948. (Table 7, below).

2. Although gross profits were irregular in trend for the three size ranges, net profits decreased in relation to sales as dollar volume of business increased. The net profit of owned stores decreased from 11.32% of sales in the smallest to 9.41% in the largest sales-size class shown. Rented stores showed a similar decline in net profit from 12.05% to 7.97% of net sales. In general, salaries, advertising and bad debt losses increased as sales expanded while the other expense items decreased. (Table 8, page 25).

3. All size and occupancy classes of furniture stores had favourable ratios of current assets to current liabilities, averaging 2.29 for owned and 2.38 for rented stores. For every dollar of net worth, owned stores produced $2.29 sales and rented stores $3.64. In both groups the stores of greater sales volume produced more sales per dollar of net worth than did the smaller stores. The same trend was evidenced in sales to fixed assets ratios. (Table 9, page 26).

Table 7. - Operating Results of Furniture Stores, 1944-1946, 1948

Item	1944	1945	1946	1948
Number of stores reporting	120	204	188	137
Average net sales ..... $	44,350	54,657	76,944	101,092
Gross profit	29.9	28.0	26.7	26.7
Operating expenses	19.6	17.0	15.2	17.1
Net profit before deduction of proprietors' salaries and income tax	10.3	11.0	11.5	9.6

(Items expressed as percentage of net sales).

CHART 2.

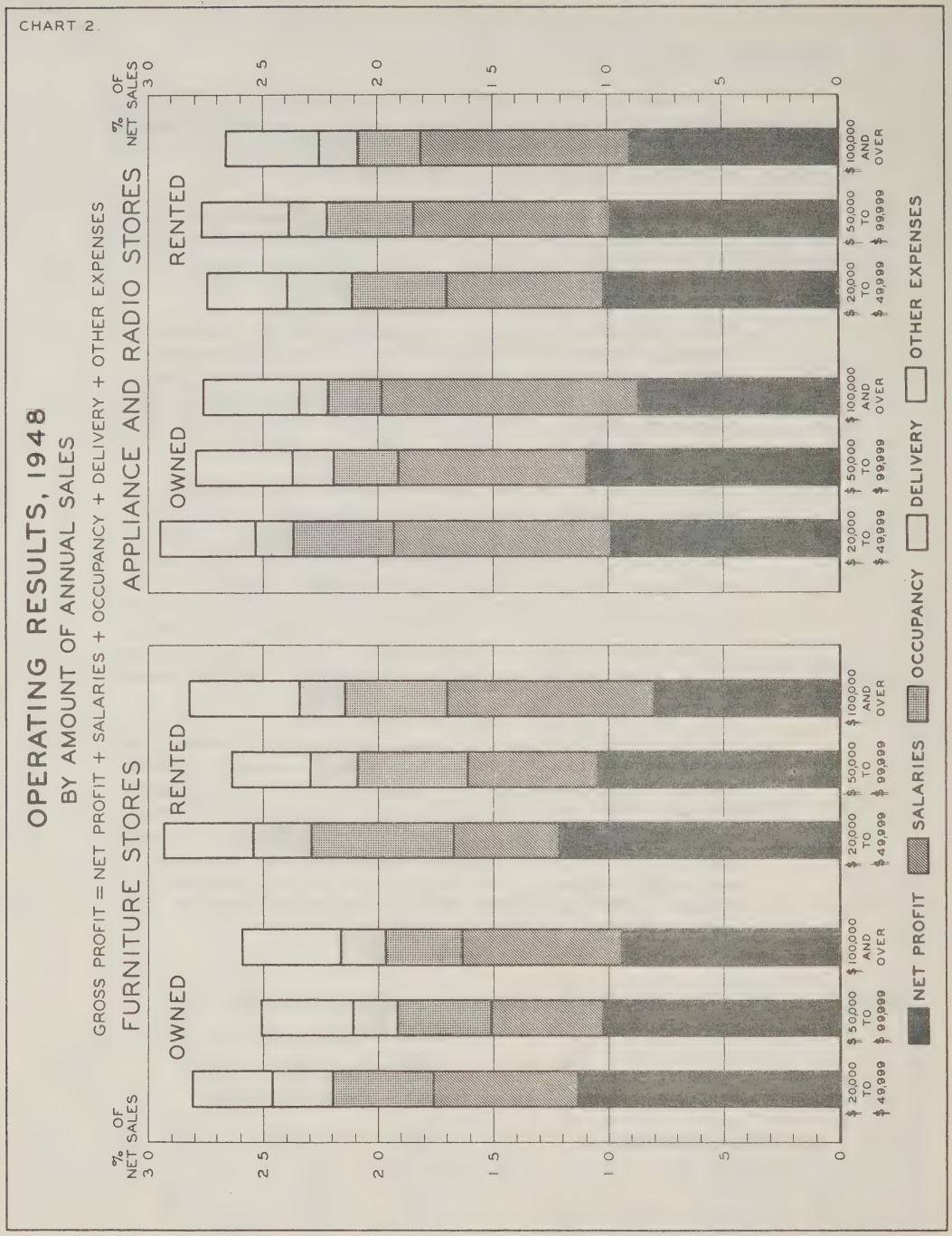
OPERATING RESULTS, 1948
BY AMOUNT OF ANNUAL SALES
GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + DELIVERY + OTHER EXPENSES
FURNITURE STORES
APPLIANCE AND RADIO STORES
OWNED
RENTED
% OF NET SALES
30
25
20
15
10
5
0
$ 20,000 TO $ 49,999
$ 50,000 TO $ 99,999
$ 100,000 AND OVER
NET PROFIT
SALARIES
OCCUPANCY
DELIVERY
OTHER EXPENSES

Table 8.--Furniture Stores - Operating Results of Unincorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED STORES			RENTED STORES		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	20	26	29	15	21	15
Average net sales per store ..... $	33,593	71,766	199,784	36,892	67,512	225,580
Average cost of goods sold ..... $	24,148	53,775	147,981	26,072	49,766	161,873
Average beginning inventory ..... $	10,023	14,968	39,137	9,791	15,062	57,505
Average inventory, end of year .. $	10,675	17,759	42,151	10,726	15,745	59,208
Stock turnover (times per year) ...	2.33	3.29	3.64	2.54	3.23	2.77
PROFIT AND LOSS DATA (Per cent of net sales)						
Gross profit	28.11	25.07	25.93	29.33	26.29	28.24
Operating expenses:						
Employees' salaries and wages (except delivery)	6.30	4.59	6.85	4.64	5.73	9.00
Taxes	.88	1.02	.63	.45	.43	.35
Insurance	.84	.65	.59	.50	.55	.54
Rent	-	-	-	3.52	2.31	2.40
Heat, light and power	1.13	.80	.61	1.05	.61	.61
Delivery	2.58	1.87	1.93	2.47	1.96	1.97
Repairs and maintenance	.77	.86	.82	.41	.46	.33
Depreciation allowances	.81	.79	.74	.24	.43	.22
Store supplies	.47	.46	.40	.49	.46	.40
Advertising	.81	.91	1.47	1.06	1.11	1.74
Bad debts - written off	.41	.45	.54	.44	.20	.24
(Less) amount recovered	-	-	-	-	-	-
Net bad debt loss	.41	.45	.54	.44	.20	.24
All other expenses	1.79	2.14	1.94	2.01	1.66	2.47
Total operating expenses	16.79	14.54	16.52	17.28	15.91	20.27
Net trading profit before deduction of proprietors' salaries and income tax	11.32	10.53	9.41	12.05	10.38	7.97

Table 9.--Furniture Stores - Financial Structure of Unincorporated Stores Classified According to Size and Occupancy Basis December 31, 1948

Item (*) (Average per store)	OWNED STORES				RENTED STORES			
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total
Assets								
Current assets:								
Cash on hand or in bank	4,014	2,013	4,750	3,576	2,467	2,996	4,279	3,254
Net accounts receivable	5,198	9,425	26,373	14,598	4,363	5,885	33,536	14,807
Merchandise inventory	10,932	18,668	45,375	26,529	10,936	15,477	59,887	29,090
Other current assets	8,936	1,457	6,362	5,314	429	389	9,028	3,353
Total current assets	29,080	31,563	82,860	50,017	18,195	24,747	106,730	50,504
Net fixed assets	10,943	18,886	39,805	24,532	1,316	2,339	4,979	2,891
Other assets	1,036	834	5,714	2,709	-	382	4,809	1,763
Total assets	41,059	51,283	128,379	77,258	19,511	27,468	116,518	55,158
Liabilities and Net Worth:								
Current liabilities	9,054	15,594	37,194	21,874	5,151	4,949	52,350	21,204
Other liabilities	1,278	3,755	13,456	6,701	1,108	3,371	4,676	3,043
Total liabilities	10,332	19,349	50,650	28,575	6,259	8,320	57,026	24,247
Net Worth	30,727	31,934	77,729	48,683	13,252	19,148	59,492	30,911
Total Liabilities and Net Worth	41,059	51,283	128,379	77,258	19,511	27,468	116,518	55,158
Sales	35,440	73,618	203,278	115,445	37,249	64,542	231,939	112,382
Net Profit	4,012	7,752	19,128	10,980	4,489	6,699	18,486	9,969
Ratios:								
Current assets to current liabilities	3.21	2.02	2.23	2.29	3.53	5.00	2.04	2.38
Current assets to fixed assets	2.66	1.67	2.08	2.03	13.82	10.58	21.44	17.47
Net quick assets to net worth	.65	.50	.59	.58	.98	1.03	.91	.95
Liabilities to net worth	.34	.61	.65	.59	.47	.43	.96	.78
Sales to net worth	1.15	2.31	2.62	2.29	2.81	3.37	3.90	3.64
Sales to fixed assets	3.24	3.90	5.11	4.55	28.30	32.60	46.58	38.87
Net profit to net worth	.13	.24	.25	.23	.34	.35	.31	.32

(*) See definitions on page 5 for more detail description.

3. HOUSEHOLD APPLIANCE AND RADIO STORES

Reports properly completed for Profit and Loss data were received from 91 firms in this classification. When arranged by amount of annual net sales, there were too few reports to allow tabulation for stores with sales of less than $20,000.

Information on the balance sheet was supplied by 69 of these firms, results for which are given, by type of occupancy, for the three largest sizes of stores. Operating results and the financial structure of unincorporated household appliance and radio stores for 1948 are summarized as follows:

1. From a high of 36.4% of net sales in 1945, the gross profit of appliance and radio stores dropped to 27.4% in 1948. Total operating expenses in 1948 were 17.9% of sales, somewhat below the 1945 level of 23.5%. This high point in 1945 was no doubt the result of keeping up high overhead expenses in a period of low average sales. The lower net profit in 1948, 9.5% of sales, when translated to dollars on the greatly increased dollar volume of sales made in that year, actually represented the highest dollar net profit shown for any year covered by this series. (Table 10, page 28).

2. In 1948, both gross and net profits of unincorporated household appliance and radio stores decreased generally in proportion to sales as the volume of business became greater. The ratios for salaries and advertising increased generally with a greater volume of sales. Occupancy and the other items of expense followed a trend of decreasing ratios with expanding sales volume. The rate of stock turnover increased with size of business and ranged from 3.10 to 5.69 times per year. (Table 11, page 29).

3. At December 31, 1948, appliance and radio merchants who owned their property had $1.95 current assets against every $1.00 of current liabilities. Rented businesses showed a better current ratio - 2.45. For every dollar of net worth, proprietor owned establishments had an average of 53¢ as net quick assets or working capital and proprietors of rented businesses had 81¢. The ratio of sales to fixed assets ranged from 3.25 to 7.55 in owned stores. In rented stores, where there was little fixed asset investment, every dollar of such investment produced an average of $22.79 sales. In both owned and rented categories, the larger sized stores utilized their fixed assets to better advantage in producing sales. (Table 12, page 30).

Table 10. - Operating Results of Household Appliance and Radio Stores, 1944-1946, 1948

Item	1944	1945	1946	1948
Number of stores reporting	105	117	134	91
Average net sales ..... $	17,688	19,764	44,560	80,944
Gross profit	35.2	36.4	29.2	27.4
Operating expenses	23.0	23.5	17.6	17.9
Net profit before deduction of proprietors' salaries and income tax	12.2	12.9	11.6	9.5

(Items expressed as percentage of net sales).

Table 11.--Household Appliance and Radio Stores - Operating Results of Unincorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED STORES			RENTED STORES		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	18	12	7	15	15	20
Average net sales per store ..... $	35,542	70,631	172,482	33,900	67,413	154,532
Average cost of goods sold	25,061	50,956	124,853	24,607	48,766	113,478
Average beginning inventory ..... $	7,210	11,086	25,330	6,657	10,055	19,590
Average inventory, end of year .. $	8,954	12,420	27,496	6,084	10,861	20,308
Stock turnover (times per year) ...	3.10	4.34	4.73	3.86	4.66	5.69
PROFIT AND LOSS DATA (Per cent of net sales)						
Gross profit	29.49	27.86	27.61	27.41	27.66	26.57
Operating expenses:						
Employees' salaries and wages (except delivery)	9.51	8.24	11.11	6.76	8.58	9.07
Taxes	.65	.48	.33	.36	.26	.10
Insurance	.60	.38	.21	.41	.39	.29
Rent	-	-	-	1.96	1.71	1.17
Heat, light and power	1.09	.49	.40	.58	.49	.28
Delivery	1.62	1.80	1.18	2.79	1.56	1.68
Repairs and maintenance	.78	.45	.88	.45	.48	.35
Depreciation allowances	1.24	.97	.58	.32	.50	.49
Store supplies	.68	.34	.43	.48	.47	.43
Advertising	1.05	1.28	1.61	1.32	1.48	1.58
Bad debts - written off	.28	.17	.21	.21	.38	.14
(Less) amount recovered	-	-	-	-	-	-
Net bad debt loss	.28	.17	.21	.21	.38	.14
All other expenses	2.18	2.33	1.94	1.53	1.57	1.97
Total operating expenses	19.68	16.93	18.88	17.17	17.87	17.55
Net trading profit before deduction of proprietors' salaries and income tax	9.81	10.93	8.73	10.24	9.79	9.02

Table 12.--Household Appliance and Radio Stores - Financial Structure of Unincorporated Stores by Size and Occupancy Basis December 31, 1948

(Item (*) (Average per store)	OWNED STORES				RENTED STORES			
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total
Assets								
Current assets:								
Cash on hand or in bank	2,227	950	2,808	1,[illegible]	2,738	1,599	4,475	3,066
Net accounts receivable	3,465	5,204	22,138	7,[illegible]	2,760	5,511	15,379	8,317
Merchandise inventory	8,545	11,525	21,447	11,[illegible]	6,177	11,037	23,176	14,010
Other current assets	341	874	3,330	1,108	235	782	1,689	945
Total current assets	14,578	18,553	50,307	21,972	11,875	19,029	44,719	26,338
Net fixed assets	10,509	16,596	20,468	14,115	1,958	2,963	5,957	3,759
Other assets	444	-	-	229	153	1,671	204	627
Total assets	25,531	35,149	70,775	36,316	13,986	23,663	50,880	30,724
Liabilities and Net Worth:								
Current liabilities	6,267	10,918	26,714	11,236	3,790	8,510	18,569	10,748
Other liabilities	2,660	6,966	7,638	4,854	386	368	1,138	663
Total liabilities	8,927	17,884	34,352	16,090	4,176	8,878	19,707	11,411
Net Worth	16,604	17,265	36,423	20,226	9,810	14,785	31,173	19,313
Total Liabilities and Net Worth	25,531	35,149	70,775	36,316	13,986	23,663	50,880	30,724
Sales	34,15[illegible]	67,626	154,549	65,297	32,801	66,916	146,461	85,658
Net Profit	3,35[illegible]	7,385	13,492	6,351	3,359	6,551	13,211	8,011
Ratios:								
Current assets to current liabilities	2.33	1.70	1.88	1.95	3.13	2.24	2.41	2.45
Current assets to fixed assets	1.39	1.12	2.46	1.56	6.06	6.42	7.51	7.01
Net quick assets to net worth	.50	.44	.65	.53	.82	.71	.84	.81
Liabilities to net worth	.54	1.04	.94	.80	.43	.60	.63	.59
Sales to net worth	2.06	3.92	4.24	3.22	3.34	4.53	4.70	4.44
Sales to fixed assets	3.25	4.07	7.55	4.63	16.75	22.58	24.59	22.79
Net profit to net worth	.20	.43	.37	.31	.34	.44	.42	.41

(*) See definitions on page 5 for more detail description.

GOVERNMENT OF CANADA

Bureau of Statistics
Hardware, furniture, appliance, television chain stores; (independent) operating results

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES

1950

A D.B.S. PUBLICATION

DOMINION BUREAU OF STATISTICS — DEPARTMENT OF TRADE AND COMMERCE

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES 1950

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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

A Wholesale Trade, 25¢.
* B Operating Results of Food Wholesalers, 25¢.
* C Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
* D Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

E General Review, 25¢.
F Retail Trade, 50¢.
G Retail Chain Stores, 50¢.
* H Operating Results of Chain Food Stores, 25¢.
* I Operating Results of Chain Clothing Stores, 25¢.
* J Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
K Operating Results of Retail Food Stores, 25¢.
L Operating Results of Retail Clothing Stores, 25¢.
M Operating Results of Retail Hardware, Furniture, Appliance, and Radio Stores, 25¢.
N Operating Results of Filling Stations and Garages, 25¢.
O Operating Results of Miscellaneous Retail Stores, 25¢.
P Retail Consumer Credit, 25¢.

Part III — Services and Special Fields

Q Laundries, Cleaners and Dyers, 25¢.
R Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
S Hotels, 25¢.
T Sales Financing, 25¢.
U Farm Implement and Equipment Sales, 25¢.
V New Motor Vehicle Sales and Motor Vehicle Financing, 25¢.

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1950.

CONTENTS

DEFINITIONS

Balance Sheet

Assets

Cash on hand — and in the bank represents the amount of cash at the end of the year.

Net accounts receivable — are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) — is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — Investments of a permanent nature not easily converted into cash and intangibles such as goodwill.

Liabilities and Net Worth

Current liabilities — are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes, accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income.

Capital stock — applicable to incorporated companies, represents the investment account of the stockholders in the capital shares of the corporation and does not exceed the amount authorized.

Surplus — applicable to corporations, includes earned surplus from operating profits, capital surplus from premiums received on the sale of capital stock, and surplus reserves.

Net worth — is the difference between total assets and total liabilities. This is composed of stock and surplus in the case of incorporated companies and in unincorporated businesses represents the proprietor's or partner's equity including undivided profits.

DEFINITIONS

Profit and Loss

Net sales — represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Gross profit — is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

Operating expenses — are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) — paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in unincorporated store operations).

Taxes and Insurance — business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals — monies paid for premises used only in the business.

Heat, light and power expenses — amount paid for these used during the year.

Delivery expense — includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance — incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).

Depreciation — allowances to cover decreases in the value of fixed store assets.

Store supplies — used in the business during the year — wrapping paper, office supplies, etc.

Advertising

Loss on bad debts — during the year — amount written off less old debts recovered.

Other expenses — telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

Net Profit — is the difference between gross margin and total expenses and includes proprietors' salaries and withdrawals before income tax deductions.

Stock turnover — is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

INTRODUCTION

A yardstick of performance is a useful gauge in assessing the success of endeavour. When that yardstick takes the form of a statistical summary of the average operating experience of retail stores, it may not constitute an ideal pattern of operations which all retailers should set as a goal, but it does represent a reasonably useful standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

The average results shown are Dominion averages for the various trades. The average gross profit of a trade for instance, must not be interpreted as the gross profit of all commodities handled by that trade because different commodities have widely varying mark-ups. Likewise, the averages are not necessarily correct for local interpretation as the sample was designed to produce national averages.

There is a growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown an interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more.

There are many reasons for this, some of them associated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and of the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and provision be made to check against some such standard performance as these publications provide.

This report deals with independent retail stores, results for which are only shown for unincorporated stores except hardware where incorporated are also shown.

The trades covered are:

1. Hardware
2. Furniture
3. Household Appliance & Radio

There are analyses of:

1. Profit and loss statements
2. Balance sheet summaries

Profit and loss data are shown for owned and rented stores separately, and for various sales-size classes.

Balance sheet data, which was added in 1948, is continued in this 1950 study. This information is presented by size and occupancy groups for stores with $20,000 or more annual net sales. Where possible, a further breakdown has been made be-businesses in operation less than 10 years and those in business 10 years or more. An important change from the 1948 data is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between fixed assets and the sales produced by those assets than was possible when all fixed assets of the proprietor were reported as one item.

The same basic sample of firms is used in this series although the sample varies slightly in each survey year. There is, however, a high degree of continuity among the respondents and it is believed that no serious distortion arises out of any change in responding firms. For the most part, successive surveys have provided an increasing response rate, an encouraging feature from the standpoint of accuracy and, it is believed, an indication of the growing realization on the part of merchants of the value of these statistics

Comparison of Main Items by Trades

Gross and Net Profits, 1941 - 1950

Year	Hardware		Furniture		Household appliance and radio	
	Gross profit	Net profit	Gross profit	Net profit	Gross profit	Net profit
1941	25.7	9.0	1	1	1	1
1944	25.7	12.2	29.9	10.3	35.2	12.2
1945	24.6	12.3	28.0	11.0	36.4	12.9
1946	23.7	11.5	26.7	11.5	29.2	11.6
1948	24.7	11.5	26.7	9.6	27.4	9.5
1950	25.8	10.4	27.1	8.7	27.8	10.0

1. Not available.

Note: Net profit includes proprietors' salaries and income tax.

The 1950 gross profits of all three trades were greater in relation to sales than they were in 1948. Unincorporated hardware stores reported the smallest gross profit at 25.8% of net sales, furniture stores 27.1% and household appliance and radio stores showed a gross profit of 27.8% of net sales. Hardware stores and furniture stores experienced a considerable increase in operating expenses during 1950 which offset any gain in gross profit to leave net profits smaller than those obtained in 1948. Appliance and radio stores recorded a slight increase in the ratio of net profit in 1950 compared with 1948.

Inventories and Stock Turnover

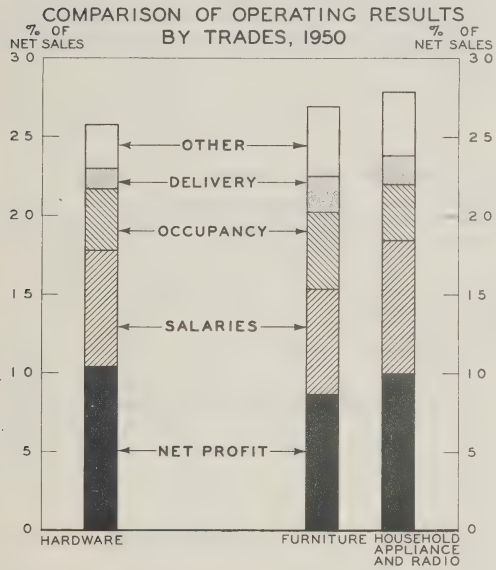
Year	Hardware			Furniture			Household appliance and radio		
	Inventories		Stock turnover[1]	Inventories		Stock turnover[1]	Inventories		Stock turnover[1]
	Beginning	Ending		Beginning	Ending		Beginning	Ending	
	$	$		$	$		$	$	
1938	11,559	11,401	2.0	17,574	18,304	2.7	(not available)		
1941	8,459	9,224	2.2	(not available)					
1944	8,354	8,727	3.2	10,600	9,890	3.0	3,538	3,078	3.5
1945	8,126	8,564	3.3	9,292	10,330	4.0	3,083	3,478	3.8
1946	8,520	10,408	3.7	10,849	15,158	4.3	3,743	6,773	6.0
1948	13,246	14,754	3.0	22,621	24,315	3.2	12,013	12,920	4.7
1950	15,293	17,175	2.4	20,974	24,542	2.9	10,845	14,725	4.4

1. Times per year.

Inventories on hand at the end of 1950 for the three trades were greater in dollar volume than inventories at the beginning of the year or the 1948 year-end inventories. This higher dollar volume inventory, together with a smaller average sales per store, resulted in slower rates of stock turnover in all trades in 1950 compared with 1948. Hardware stores sold and replaced stock 2.4 times a year, furniture 2.9 times and household appliances and radio stores 4.4 times

Average Operating Expenses 1950

Item	Unincorporated			Incorporated		
	Hardware	Furniture	Appliance & Radio	Hardware	Furniture	Appliance & Radio
	Items expressed as percentages of net sales					
Salaries	7.38	6.69	8.49	14.22	11.91	15.12
Occupancy	3.92	4.89	3.56	3.85	4.83	4.16
Delivery	1.28	2.30	1.72	1.34	1.91	1.85
Store supplies	.43	.40	.45	.49	.46	.56
Advertising	.69	1.58	1.57	1.37	2.01	2.27
All other	1.68	2.49	2.03	2.11	3.40	2.57
Total	**15.38**	**18.35**	**17.82**	**23.38**	**24.52**	**26.53**



Salaries of incorporated firms include all executive salaries. The withdrawals of proprietors of unincorporated businesses are not included in operating expenses. Appliance and radio stores paid a greater share of the sales dollar in salaries than the other two trades. Occupancy expense was quite uniform for the different trades between the two types of organization and ranged from 3.56% of net sales for unincorporated appliance and radio stores to 4.83% for incorporated furniture stores. Furniture stores paid more for delivery than the other trades and hardware stores the least:

Hardware stores showed the best ratio of current assets to current liabilities as well as the smallest ratio of liabilities to net worth. In both the owned and rented class of unincorporated stores, the proprietors of appliance and radio stores utilized their store fixed assets to the best advantage by producing sales of $5.63 and $28.93 respectively for each $1 of such fixed assets. Liabilities of hardware store owners were only 30% and 40% of net worth in the owned and rented stores respectively. This ratio was highest in owned appliance and radio stores where liabilities formed .76% of net worth.

Financial Position at December 31, 1950 of Unincorporated Stores

Ratio	Owned stores			Rented stores		
	Hardware	Furniture	Appliances & Radio	Hardware	Furniture	Appliances & Radio
Current assets to current liabilities	4.79	2.57	1.98	4.03	2.41	2.55
Current assets to fixed assets	2.46	1.99	1.90	6.94	10.56	7.69
Net quick assets to net worth	.72	.64	.55	.90	.92	.84
Sales to fixed assets used in the business	5.50	4.32	5.63	23.85	27.53	28.93
Liabilities to net worth	.30	.58	.76	.40	.74	.61

Hardware Stores

Reports suitable for tabulation of profit and loss information were received from 574 unincorporated stores and from 108 incorporated firms. These were separated into sales-size groups for both owned and rented stores with incorporated firms falling in sizes of $20,000 and over annual net sales.

Balance sheet data were secured from 426 unincorporated stores and from 90 incorporated companies. This tabulation was made only for businesses with over $20,000 annual sales volume.

Some of the more important features on the 1950 operations and on the financial structure of hardware stores at the end of the year are summarized below:

While gross profit ratios were greater in 1950 than in 1948 for both unincorporated and incorporated hardware stores, operating expenses increased to a greater extent to leave smaller net profit percentages.

Salaries and wages paid to employees accounted for 7.38% of the sales of unincorporated stores compared with 6.48% in 1948, and for incorporated stores 14.22% in 1950 compared with 12.61% in 1948.

Salaries, delivery and advertising expenses of unincorporated stores expressed as percentages of net sales, increased with sales volume while other operating expenses generally decreased in ratio to sales.

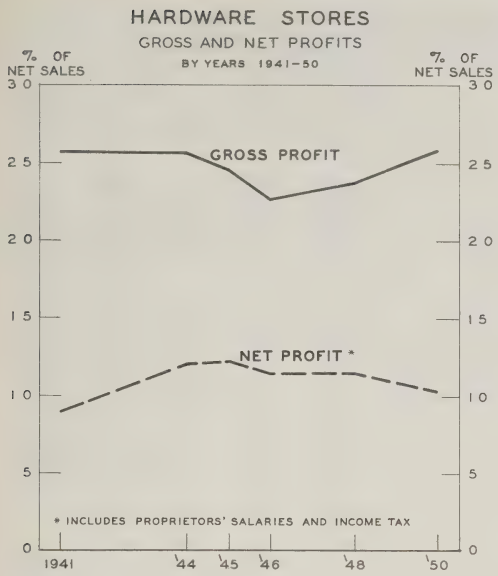
The rate of stock turnover was more rapid in the larger stores than in the smaller and ranged from 1.57 times a year to 3.09 times.

Both unincorporated and incorporated hardware stores showed very favourable ratios of current assets to current liabilities with no section below the ratio of 3 to 1.

Operating Results of Hardware Stores 1948 and 1950 Compared

Item	Unincorporated		Incorporated	
	1948	1950	1948	1950
Number of stores reporting	531	574	95	108
Average net sales $	55,200	52,683	129,003	112,917
Profit and Loss Data Percentage of net sales				
Gross Profit	24.72	25.82	26.20	27.02
Operating expenses:				
Employees' salaries	6.48	7.38	12.61	14.22
Occupancy	3.19	3.92	3.07	3.85
Delivery	1.11	1.28	.97	1.34
Store supplies	.38	.43	.37	.49
Advertising	.52	.69	.84	1.37
All other expenses	1.57	1.68	1.84	2.11
Total operating expenses	**13.25**	**15.38**	**19.70**	**23.38**
Net profit before deduction of income tax[1]	11.47	10.44	6.50	3.64

1. For unincorporated stores this ratio also includes proprietors' salaries.



Financial Ratios of Hardware Stores as at December 31, 1950

Ratio	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current assets to current liabilities	4.79	4.03	3.65	3.02
Current assets to fixed assets	2.46	6.94	2.62	12.20
Net quick assets to net worth	.72	.90	.78	.90
Sales to fixed assets used in the business	5.50	23.85	7.01	40.79
Liabilities to net worth	.30	.40	.56	.54

TABLE 1. Hardware Stores - Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	46	137	71	23	32	107	101	35
Average net sales per store $	15,417	33,649	67,522	137,606	15,018	33,042	68,090	169,022
Average cost of goods sold $	11,623	24,926	50,734	104,867	10,826	24,086	49,545	126,600
Average beginning inventory $	6,912	11,359	18,000	38,327	6,728	11,322	19,197	36,840
Average inventory, end of year $	7,421	12,605	20,156	43,168	7,062	12,236	21,384	45,156
Stock turnover (times per year)	1.62	2.08	2.66	2.57	1.57	2.04	2.44	3.09
Profit and Loss Data (Per cent of net sales)								
Gross profit	24.60	25.92	24.86	23.79	27.91	27.10	27.23	25.10
Operating expenses:								
Employees' salaries and wages (except delivery)	3.26	6.59	6.97	8.57	5.06	6.64	7.75	8.54
Taxes	.98	.90	.71	.62	.63	.41	.29	.17
Insurance	.86	.78	.61	.56	.74	.55	.47	.40
Rent	—	—	—	—	3.33	2.63	1.82	1.30
Heat, light and power	1.42	.99	.68	.46	1.31	.81	.51	.37
Delivery	1.12	1.11	1.15	1.64	1.11	1.34	1.30	1.32
Repairs and maintenance	.70	.55	.53	.52	.32	.31	.33	.21
Depreciation allowances	1.04	1.24	1.09	.79	.56	.52	.59	.42
Store supplies	.46	.46	.38	.43	.45	.43	.44	.39
Advertising	.28	.48	.60	.54	.33	.49	.79	1.10
Bad debts - written off	.14	.15	.26	.19	.05	.12	.28	.28
(Less) amount recovered	.01	.03	.03	.04	.02	.01	.04	.03
Net bad debt loss	.13	.12	.23	.15	.03	.11	.24	.25
All other expenses	1.25	1.92	1.41	1.33	2.03	1.58	1.42	1.35
Total operating expenses	**11.50**	**15.14**	**14.36**	**15.61**	**15.95**	**15.82**	**15.95**	**15.82**
Net trading profit before deduction of proprietors' salaries and income tax	13.10	10.78	10.50	8.18	11.96	11.28	11.28	9.28

TABLE 2. Hardware Stores - Operating Results of Incorporated Stores by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		
	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	11	14	14	24	35
Average net sales per store $	75,449	158,903	35,793	69,895	190,657
Average cost of goods sold $	55,696	114,975	24,675	50,643	140,146
Average beginning inventory $	20,333	42,663	15,464	23,226	45,970
Average inventory, end of year $	20,660	49,011	17,300	25,906	51,992
Stock turnover (times per year)	2.72	2.51	1.51	2.06	2.86
Profit and loss data (Per cent of net sales)					
Gross profit	26.18	27.64	31.06	27.54	26.49
Operating expenses:					
Employees' salaries and wages (except delivery)	14.78	15.29	17.70	15.87	13.14
Taxes	.93	.56	.40	.52	.30
Insurance	.69	.44	.89	.63	.44
Rent	—	—	4.15	2.26	1.64
Heat, light and power	.79	.46	.85	.61	.44
Delivery	1.83	.94	1.23	1.28	1.45
Repairs and maintenance	.27	.28	.12	.47	.25
Depreciation allowances	1.31	.85	.36	.49	.61
Store supplies	.58	.51	.60	.47	.47
Advertising	1.27	1.18	.97	1.01	1.59
Bad debts - written off	.17	.46	.22	.36	.31
(Less) amount recovered	.02	.07	.02	.06	.07
Net bad debt loss	.15	.39	.20	.30	.24
All other expenses	1.68	1.87	2.41	1.91	1.80
Total operating expenses	24.28	22.77	29.88	25.82	22.37
Net trading profit before deduction of income tax	1.90	4.87	1.18	1.72	4.12

TABLE 3. Hardware Stores - Owned - Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of							Total all sizes (owned)
	$20,000 - $49,999			$50,000 - $99,999			$100,000 and over total	
	Under 10 yrs.	10 yrs. & over	Total	Under 10 yrs.	10 yrs. & over	Total		
Assets								
Current assets:								
Cash on hand and in bank	1,649	2,034	1,901	3,152	3,837	3,658	3,734	2,660
Accounts and notes receivable (net)	1,712	2,114	1,976	5,282	5,960	5,783	13,311	4,380
Merchandise inventory	12,615	12,210	12,350	19,342	20,326	20,069	43,214	18,038
Other current assets:								
Government bonds and securities	181	1,196	846	255	2,744	2,095	3,575	1,533
Prepaid expenses	29	76	60	22	1,219	907	177	346
Total current assets	16,186	17,630	17,133	28,053	34,086	32,512	64,011	26,957
Fixed assets (net):								
Used in the business	9,158	7,450	8,038	15,236	9,767	11,193	17,204	10,007
Not used in the business	476	784	678	1,439	1,840	1,736	138	965
Total net fixed assets	9,634	8,234	8,716	16,675	11,607	12,929	17,342	10,972
Other assets:								
Investments of a permanent nature	118	319	250	33	432	328	326	283
Other, such as goodwill	87	376	276	548	82	204	213	246
Total other assets	205	695	526	581	514	532	539	529
Total assets	26,025	26,559	26,375	45,309	46,207	45,973	81,892	38,458
Liabilities								
Current liabilities - accounts and notes payable	4,256	3,260	3,603	7,348	7,115	7,175	12,042	5,632
Fixed liabilities - mortgages on fixed assets:								
Used in the business	3,691	948	1,892	2,672	949	1,398	1,374	1,679
Not used in the business	771	197	395	512	459	474	—	379
Other liabilities	882	530	651	3,569	352	1,191	4,162	1,189
Total liabilities	9,600	4,935	6,541	14,101	8,875	10,238	17,578	8,879
Net worth:								
Proprietor's or partner's equity	16,425	21,624	19,834	31,208	37,332	35,735	64,314	29,579
Total liabilities and net worth	26,025	26,559	26,375	45,309	46,207	45,973	81,892	38,458
Number of stores reporting	42	80	122	18	51	69	22	213
Sales per store	34,605	32,613	33,298	64,583	68,344	67,363	136,515	54,994

1. See definitions on page M-5 for more detail.

TABLE 4. Hardware Stores Rented Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of									Total all sizes (rented)
	$20,000 - $49,999			$50,000 - $99,999			$100,000 and over			
	Under 10 yrs.	10 yrs. and over	Total	Under 10 yrs.	10 yrs. and over	Total	Under 10 yrs.	10 yrs. and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	1,224	2,231	2,000	3,961	4,266	4,171	8,530	5,770	6,767	3,648
Accounts and notes receivable (net)	1,785	1,501	1,566	4,963	4,165	4,413	10,445	16,987	14,678	4,822
Merchandise inventory	11,702	12,098	12,008	24,190	20,936	21,946	40,130	48,950	45,837	21,467
Other current assets:										
Government bonds and securities	299	1,079	901	1,098	2,370	1,975	538	1,245	1,013	1,358
Prepaid expenses	309	81	133	453	209	285	499	596	562	263
Total current assets	**15,319**	**16,990**	**16,608**	**34,665**	**31,946**	**32,790**	**60,242**	**73,556**	**68,857**	**31,558**
Fixed assets (net):										
Used in the bus iness	1,945	1,273	1,427	4,184	2,586	3,082	3,237	8,367	6,556	2,922
Not used in the business	47	3,016	2,338	462	1,065	877	188	2,354	1,589	1,622
Total net fixed assets	**1,992**	**4,289**	**3,765**	**4,646**	**3,651**	**3,959**	**3,425**	**10,721**	**8,145**	**4,544**
Other assets:										
Investments of a permanent nature	—	89	69	95	1,082	775	—	204	132	367
Other, such as goodwill	265	67	112	477	146	249	1,845	849	1,201	342
Total other assets	**265**	**156**	**181**	**572**	**1,228**	**1,024**	**1,845**	**1,053**	**1,333**	**709**
Total assets	**17,576**	**21,435**	**20,554**	**39,883**	**36,825**	**37,773**	**65,512**	**85,330**	**78,335**	**36,811**
Liabilities										
Current liabilities — accounts and notes payable	4,390	4,383	4,384	8,909	7,944	8,243	12,812	17,869	16,084	7,828
Fixed liabilities — mortgages on fixed assets:										
Used in the business	150	650	536	—	358	247	24	2,220	1,445	563
Not used in the business	19	602	469	494	—	153	—	473	306	314
Other liabilities	1,517	735	913	2,821	461	1,193	5,141	6,176	5,811	1,809
Total liabilities	**6,076**	**6,370**	**6,302**	**12,224**	**8,763**	**9,836**	**17,977**	**26,738**	**23,646**	**10,514**
Net worth:										
Proprietor's or partner's equity	11,500	15,065	14,252	27,659	28,062	27,937	47,535	58,592	54,689	26,297
Total liabilities and net worth	**17,576**	**21,435**	**20,554**	**39,883**	**36,825**	**37,773**	**65,512**	**85,330**	**78,335**	**36,811**
Number of stores reporting	21	71	92	27	60	87	12	22	34	213
Sales per store	33,801	32,087	32,478	70,901	68,345	69,138	162,648	176,668	171,720	69,678

1. See definitions on page M-5 for more detail.

TABLE 5. Hardware Stores — Financial Structure of Incorporated Stores by Size and Occupancy as at December 31, 1950

Item[1] (Average per store)	Owned stores with annual net sales of			Rented stores with annual net sales of			
	$50,000 to $99,999	$100,000 & over	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 & over	Total
Assets							
Current assets:							
Cash on hand and in bank	4,351	5,530	5,121	1,590	1,872	3,974	2,772
Accounts and notes receivable (net)	5,235	12,421	9,933	2,335	5,942	13,876	8,861
Merchandise inventory	19,335	49,395	38,990	17,147	25,655	50,578	35,353
Other current assets:							
Government bonds and securities	842	5,284	3,747	344	456	3,156	1,658
Prepaid expenses	715	1,737	1,383	123	2,137	984	1,237
Total current assets	**30,478**	**74,367**	**59,174**	**21,539**	**36,062**	**72,568**	**49,881**
Fixed assets (net):							
Used in the business	12,021	25,363	20,744	848	2,312	4,136	2,864
Not used in the business	627	2,497	1,850	—	624	2,207	1,224
Total net fixed assets	**12,648**	**27,860**	**22,594**	**848**	**2,936**	**6,343**	**4,088**
Other assets:							
Investments of a permanent nature	1,188	141	504	695	333	557	503
Other, such as goodwill	796	4,619	3,296	2,512	943	3,577	2,430
Total other assets	**1,984**	**4,760**	**3,800**	**3,207**	**1,276**	**4,134**	**2,933**
Total assets	**45,110**	**106,987**	**85,568**	**25,594**	**40,274**	**83,045**	**56,902**

TABLE 5. Hardware Stores — Financial Structure of Incorporated Stores by Size and Occupancy as at December 31, 1950 — Concluded

Item[1] (Average per store)	Owned stores with annual net sales of			Rented stores with annual net sales of			
	$50,000 to $99,999	$100,000 & over	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 & over	Total
Liabilities							
Current liabilities — accounts and notes payable	9,170	19,924	16,201	6,050	11,127	25,165	16,536
Fixed liabilities — mortgages on fixed assets:							
Used in the business	4,535	3,856	4,091	—	410	480	365
Not used in the business	—	886	579	—	—	—	—
Other liabilities	2,773	13,540	9,813	3,853	3,301	2,749	3,154
Total liabilities	**16,478**	**38,206**	**30,684**	**9,903**	**14,838**	**28,394**	**20,055**
Net worth:							
Capital stock	13,560	33,129	26,356	11,546	16,214	26,866	20,166
Surplus and undivided profits	15,072	35,652	28,528	4,145	9,222	27,785	16,681
Total net worth	28,632	68,781	54,884	15,691	25,436	54,651	36,847
Total liabilities and net worth	**45,110**	**106,987**	**85,568**	**25,594**	**40,274**	**83,045**	**56,902**
Number of stores reporting	9	17	26	12	23	29	64
Average net sales of stores reporting	75,723	182,187	145,334	36,083	70,515	186,946	116,817

1. See definitions on page M-5 for more detail.

Furniture Stores

A total of 165 reports suitable for profit and loss tabulation was received from unincorporated furniture stores. No special canavass of incorporated firms was made but, since the 1948 survey, a number of re-organizations to incorporated companies took place so that some reports from this type were received. This small number did not permit any breakdown by size and the results are not shown in this bulletin.

Balance sheet results shown were obtained from 125 returns in the over $20,000 class of unincorporated stores.

Summary points on the 1950 operations of unincorporated furniture stores and on their financial position at the end of the year are given below.

The average gross profit increased from 26.73% of net sales in 1948 to 27.05% in 1950.

Operating expenses were higher in 1950 at 18.35% of net sales and net profit was 8.70% compared with 9.59% in 1948.

Smaller stores reported higher ratios of gross profit than did the larger sales-size categories—the range was from 28.86% of net sales to 25.23%

The rate of stock turnover was more rapid in the larger stores and ranged from 3.29 times a year to 1.40 times.

The proprietors of both "owned" and "rented" furniture stores had more than $2.00 current assets to meet every $1.00 current liabilities at the end of 1950.

Sales of $4.32 were transacted for every $1.00 of fixed assets used in the business in the owned class and to the amount of $27.53 in the rented class.

Financial Ratios of Furniture Stores as at December 31, 1950

Ratio	Owned stores	Rented stores
Current assets to current liabilities	2.57	2.41
Current assets to fixed assets	1.99	10.56
Net quick assets to net worth	.64	.92
Sales to fixed assets used in the business	4.32	27.53
Liabilities to net worth	.58	.74

Operating Results of Furniture Stores 1948 and 1950 compared

Item	Unincorporated 1948	Unincorporated 1950
Number of stores reporting	137	165
Average net sales	101,092	91,256
Profit and Loss Data (Percentage of net sales)		
Gross Profit	26.73	27.05
Operating Expenses:		
Employees' salaries	6.79	6.69
Occupancy	4.10	4.89
Delivery	2.00	2.30
Store supplies	.42	.40
Advertising	1.36	1.58
All other expenses	2.47	2.49
Total operating expenses	17.14	18.35
Net profit before deduction of proprietors' salaries and income tax	9.59	8.70

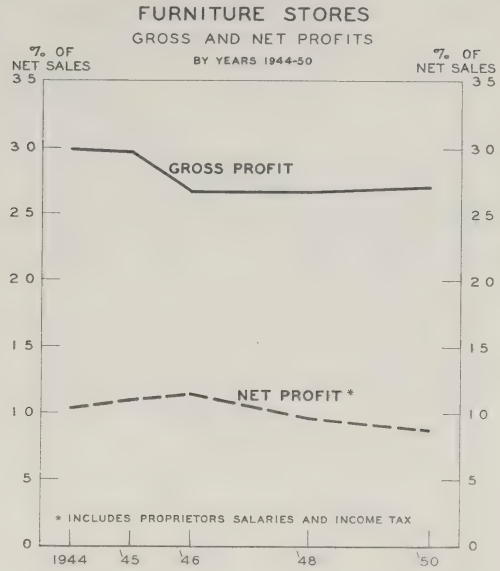


TABLE 8. Household Appliance and Radio Stores - Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of $10,000 to $19,999	Owned stores $20,000 to $49,999	Owned stores $50,000 to $99,999	Owned stores $100,000 and over	Rented stores with annual net sales of $10,000 to $19,999	Rented stores $20,000 to $49,999	Rented stores $50,000 to $99,999	Rented stores $100,000 and over
Number of stores reporting	8	22	14	16	9	27	25	21
Average net sales per store $	14,720	33,958	67,429	147,979	14,870	33,646	74,841	203,940
Average cost of goods sold	11,307	23,952	49,251	108,201	9,681	23,917	51,727	149,929
Average beginning inventory $	5,016	7,480	12,705	17,131	3,749	6,305	11,013	20,811
Average inventory, end of year $	5,085	9,497	15,868	27,664	4,798	8,018	13,922	29,230
Stock turnover (times per year)	2.24	2.82	3.45	4.83	2.27	3.34	4.15	5.99
Profit and Loss Data (Per cent of net sales)								
Gross profit	23.19	29.47	26.96	26.88	34.89	28.91	30.88	26.48
Operating expenses:								
Employees' salaries and wages (except delivery)	3.24	7.50	8.09	9.54	8.88	5.76	10.16	8.16
Taxes	1.42	1.09	.60	.42	.39	.27	.25	.15
Insurance	.73	.65	.54	.47	.31	.37	.44	.30
Rent	–	–	–	–	3.98	2.27	1.94	1.13
Heat, light and power	2.55	1.02	.64	.65	.96	.66	.48	.23
Delivery	1.85	1.97	1.26	1.73	2.83	1.68	1.84	1.67
Repairs and maintenance	1.58	.86	.48	.23	1.11	.51	.43	.32
Depreciation allowances	2.08	1.65	1.49	1.39	.53	1.12	.77	.37
Store supplies	.78	.47	.37	.45	.68	.76	.48	.38
Advertising	.71	1.18	1.18	1.82	1.68	1.48	1.82	1.49
Bad debts - written off	–	.16	.12	.09	.43	.15	.24	.24
(Less) amount recovered	–	–	.02	.03	.03	.02	.05	.04
Net bad debt loss	–	.16	.10	.06	.40	.13	.19	.20
All other expenses	1.17	2.15	1.83	1.96	2.98	1.97	2.08	1.63
Total operating expenses	**16.11**	**18.70**	**16.58**	**18.72**	**24.73**	**16.98**	**20.88**	**16.03**
Net trading profit before deduction of proprietors' salaries and income tax	7.08	10.77	10.38	8.16	10.16	11.93	10.00	10.45

TABLE 6. Furniture Stores — Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned stores with annual net sales of				Rented stores with annual net sales of		
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	9	24	27	24	19	30	23
Average net sales per store $	15,195	32,820	73,687	167,786	36,668	74,665	221,554
Average cost of goods sold $	10,835	23,980	55,096	123,164	26,084	54,220	160,377
Average beginning inventory $	6,970	11,021	18,915	33,354	12,245	18,329	44,106
Average inventory, end of year $	8,509	11,998	20,895	41,508	12,959	20,568	53,650
Stock turnover (times per year)	1.40	2.08	2.77	3.29	2.07	2.79	3.28
Profit and Loss Data (Per cent of net sales)							
Gross profit	28.70	26.93	25.23	26.60	28.86	27.38	27.61
Operating expenses:							
Employees' salaries and wages (except delivery)	6.28	5.63	5.90	7.13	5.24	5.81	7.49
Taxes	1.78	1.06	1.00	.80	.56	.39	.32
Insurance	1.39	.75	.66	.65	.64	.62	.52
Rent	—	—	—	—	3.33	2.83	2.70
Heat, light and power	1.65	1.18	.96	.81	.83	.69	.47
Delivery	2.29	2.25	2.18	2.36	1.98	1.89	2.50
Repairs and maintenance	1.67	.54	.76	.84	.34	.56	.36
Depreciation allowances	.72	1.15	1.30	1.08	.39	.59	.53
Store supplies	.72	.43	.44	.40	.50	.45	.32
Advertising	.30	1.11	1.08	1.94	1.33	1.36	1.74
Bad debts - written off	.88	.43	.67	.47	.34	.50	.58
(Less) amount recovered	—	.09	.19	.12	.07	.04	.07
Net bad debt loss	.88	.34	.48	.35	.27	.46	.51
All other expenses	1.67	2.16	2.40	2.17	2.45	1.89	1.87
Total operating expenses	**19.35**	**16.60**	**17.16**	**18.53**	**17.86**	**17.54**	**19.33**
Net trading profit before deduction of proprietors' salaries and income tax	9.35	10.33	8.07	8.07	11.00	9.84	8.28

Household Appliance and Radio Stores

Reports properly completed for profit and loss data were received from 146 stores in this classification. These were tabulated by occupancy and sales-size with too few in the class "under $10,000 annual net sales" to permit publication of results. Balance sheet information was tabulated only for firms with sales of $20,000 and over. Reports satisfactory for this tabulation were received from 108 stores.

Some of the main features in the 1950 operations of household appliance and radio stores and in their financial position at the end of the year are as follows:

While a slightly higher ratio of gross profit was obtained in 1950 than in 1948, operating expenses did not increase in relationship to sales.

A considerable decrease in the salary ratio from 9.07% to 8.49% of net sales, was mainly responsible for the smaller percentage of operating expenses in 1950.

No consistent trend in gross or net profits over the various size classes was revealed in 1950.

Inventories were greater in dollar volume at the end of the year than at the beginning.

The rate stock turnover increased from 2.24 times a year in the smallest sales-size class to 5.99 times in the largest.

The "current ratio" — current assets to current liabilities — was 1.98 for the owned class and 2.55 for the rented class of household appliance and radio stores at the end of the year.

Financial Ratios of Household Appliance and Radio Stores as at December 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	1.98	2.55
Current assets to fixed assets	1.90	7.69
Net quick assets to net worth	.55	.84
Sales to fixed assets used in the business	5.63	28.93
Liabilities to net worth	.76	.61

Operating Results of Household Appliance and Radio Stores 1948 and 1950 Compared

Item	Unincorporated 1948	Unincorporated 1950
Number of stores reporting	91	146
Average net sales $	89,944	78,074
Profit and loss data (Percentage of net sales)		
Gross profit	27.35	27.84
Operating expenses:		
Employees' salaries	9.07	8.49
Occupancy	3.08	3.56
Delivery	1.69	1.72
Store supplies	.45	.45
Advertising	1.46	1.57
All other expenses	2.11	2.03
Total operating expenses	**17.86**	**17.82**
Net profit before deduction of proprietors' salaries and income tax	9.49	10.02

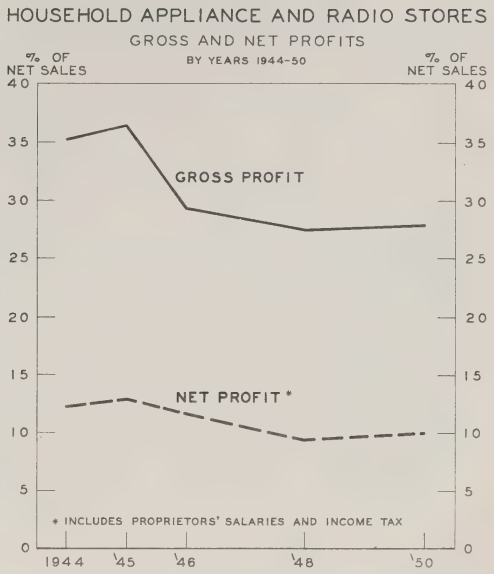


TABLE 7. Furniture Stores — Financial Structure of Unincorporated Stores by Size and Occupancy Basis December 31, 1950

Item[1] (Average per store)	Owned stores with annual net sales of $20,000 to $49,999	Owned stores $50,000 to $99,999	Owned stores $100,000 and over	Total all sizes (owned)	Rented stores with annual net sales of $20,000 to $49,999	Rented stores $50,000 to $99,999	Rented stores $100,000 and over	Total all sizes (rented)
Assets								
Current assets:								
Cash on hand and in bank	1,829	2,189	2,741	2,248	2,194	3,360	3,477	3,134
Accounts and notes receivable (net)	6,609	14,462	28,496	16,392	5,938	15,758	45,735	22,730
Merchandise inventory	12,864	20,470	46,775	26,521	13,360	21,089	53,390	29,242
Other current assets:								
Government bonds and securities	877	967	9,160	3,631	601	761	7,603	2,819
Prepaid expenses	297	56	1,979	771	56	160	1,211	459
Total current assets	**22,476**	**38,144**	**89,151**	**49,563**	**22,149**	**41,128**	**111,416**	**58,384**
Fixed assets (net):								
Used in the business	9,678	18,554	36,562	21,441	1,484	3,278	7,474	4,160
Not used in the business	2,188	696	7,452	3,429	270	2,777	—	1,364
Total net fixed assets	**11,866**	**19,250**	**44,014**	**24,870**	**1,754**	**6,055**	**7,474**	**5,524**
Other assets:								
Investments of a permanent nature	943	267	92	441	—	207	197	157
Other, such as goodwill	318	104	579	333	33	322	1,233	536
Total other assets	**1,261**	**371**	**671**	**774**	**33**	**529**	**1,430**	**693**
Total assets	**35,603**	**57,765**	**133,836**	**75,207**	**23,936**	**47,712**	**120,320**	**64,601**
Liabilities								
Current liabilities - accounts and notes payable	5,974	16,150	36,235	19,276	6,020	15,509	51,074	24,266
Fixed liabilities - mortgages on fixed assets								
Used in the business	1,673	4,522	9,050	5,037	325	177	1,298	554
Not used in the business	668	—	2,340	998	—	261	—	122
Other liabilities	1,166	980	4,545	2,217	1,456	1,479	5,045	2,565
Total liabilities	**9,481**	**21,652**	**52,170**	**27,528**	**7,801**	**17,426**	**57,417**	**27,507**
Net worth:								
Proprietor's or partner's equity	26,122	36,113	81,666	47,679	16,135	30,286	62,903	37,094
Total liabilities and net worth	**35,603**	**57,765**	**133,836**	**75,207**	**23,936**	**47,712**	**120,320**	**64,601**
Number of stores reporting	26	25	25	76	11	23	15	49
Sales per store	34,101	75,345	170,920	92,674	36,307	73,376	234,948	114,515

1. See definitions on page M-5 for more detail.

TABLE 9. Household Appliance and Radio Stores - Financial Structure of Unincorporated Stores by Size and Occupancy Basis December 31, 1950

Item[1] (Average per store)	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets								
Current assets:								
Cash on hand and in bank	1,841	3,660	1,872	2,395	2,816	2,266	6,153	3,662
Accounts and notes receivable (net)	3,212	6,014	15,007	7,355	2,241	7,853	21,823	10,253
Merchandise inventory	9,680	15,456	28,965	16,813	8,100	14,348	29,413	16,869
Other current assets:								
Government bonds and securities	684	1,283	384	780	738	1,043	2,530	1,399
Prepaid expenses	2	54	232	82	193	38	396	203
Total current assets	**15,419**	**26,467**	**46,460**	**27,425**	**14,088**	**25,548**	**60,315**	**32,386**
Fixed assets (net):								
Used in the business	10,430	12,678	19,734	13,709	3,276	2,835	4,179	3,404
Not used in the business	161	1,500	735	724	571	799	1,081	808
Total net fixed assets	**10,591**	**14,178**	**20,469**	**14,433**	**3,847**	**3,634**	**5,260**	**4,212**
Other assets:								
Investments of a permanent nature	4	1,370	—	413	250	—	2,090	735
Other, such as goodwill	1,063	2,430	576	1,337	221	233	108	190
Total other assets	**1,067**	**3,800**	**576**	**1,750**	**471**	**233**	**2,198**	**925**
Total assets	**27,077**	**44,445**	**67,505**	**43,608**	**18,406**	**29,415**	**67,773**	**37,523**
Liabilities								
Current liabilities - accounts and notes payable	6,371	11,616	27,387	13,829	4,659	10,311	24,270	12,694
Fixed liabilities - mortgages on fixed assets								
Used in the business	2,383	3,240	5,873	3,618	—	—	206	64
Not used in the business	43	623	586	367	—	250	87	113
Other liabilities	675	617	2,105	1,060	540	822	2,782	1,333
Total liabilities	**9,472**	**16,096**	**35,951**	**18,874**	**5,199**	**11,383**	**27,345**	**14,204**
Net worth:								
Proprietor's or partner's equity	17,605	28,349	31,554	24,734	13,207	18,032	40,428	23,319
Total liabilities and net worth	**27,077**	**44,445**	**67,505**	**43,608**	**18,406**	**29,415**	**67,773**	**37,523**
No. of stores reporting	21	15	14	50	20	20	18	58
Sales per store	34,159	70,054	149,394	77,193	33,840	71,070	200,740	98,474

1. See definitions on page M-5 for more detail.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P., Queen's Printer and Controller of Stationery, Ottawa, 1952

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES

1952

(Independent)

Published by Authority of

The Right Honourable C. D. Howe, Minister of Trade and Commerce

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

A — Wholesale Trade, 25¢
*B — Operating Results of Food Wholesalers, 25¢
*C — Operating Results of Dry goods, Piece Goods, and Footwear Wholesalers, 25¢
*D — Operating Results of Miscellaneous Wholesalers, (Automotive parts and accessories, drugs, hardware, plumbing and heating equipment), 25¢

Part II — Retail Statistics

E — General Review, 25¢
F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
*H — Operating Results of Chain Food Stores, 25¢
* I — Operating Results of Chain Clothing Stores, 25¢
* J — Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢
K — Operating Results of Retail Food Stores, 25¢
L — Operating Results of Retail Clothing Stores, 25¢
M — Operating Results of Retail Hardware, Furniture, Appliance and Radio Stores, 25¢
N — Operating Results of Filling Stations and Garages, 25¢
O — Operating Results of Miscellaneous Retail Stores, 25¢
P — Retail Consumer Credit, 25¢

Part III — Service and Special Fields

Q — Laundries, Cleaners and Dyers, 25¢
R — Motion Picture Theatres, Exhibitors and Distributors, 25¢
S — Hotels, 25¢
T — Sales Financing, 25¢
U — Farm Implement and Equipment Sales, 25¢
V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
W — Advertising Agencies (Memorandum), 25¢
X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1952.

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DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all cost incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – Unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawls.

Incorporated business – net worth is shown in two parts: (1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and (2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowance for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a strong or more favourable ratio.

Liquidity Ratio – Cash + Accounts Receivable + Government Bonds and Securities ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that cculd be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE
RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES
1952
(Independent)

INTRODUCTION

The ratios appearing in the operating results bulletins may not constitute an ideal pattern of operations which all retailers should set as a goal, but they do represent a standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more. There are many reasons for this, some of them associated with the natural incompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result if inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Hardware (both incorporated and unincorporated)
2. Furniture (unincorporated only)
3. Appliance and Radio (unincorporated only)

There are analyses of:

1. profit and loss statements
2. balance sheets

Profit and loss data are shown for owned and rented stores separately, and for various sales-size categories.

Balance sheet data, which was introduced in 1948, is continued in this 1952 study. This information is presented by sales-size and kind of occupancy groups for stores with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

This year, definitions of the ratios presented in this bulletin, for comparison and financial statement analysis, are shown on the opposite page.

INDEPENDENT HARDWARE STORES

This classification includes stores recognized by the trade as independent hardware stores. The term "independent" is used to mean non-chain or single establishment firms. After careful editing of questionnaires returned, it was possible to use results submitted by 417 independent unincorporated and 83 independent incorporated firms. Results of hardware stores operated in owned or rented premises are shown separately. A further differentiation is made within each of these categories to present results within typical sales-size categories.

Balance sheet results are shown, in the form of averages, for both owned and rented categories of unincorporated and incorporated firms. There was a sufficient number of unincorporated stores reporting in both the owned and rented categories to permit the separate presentation of balance sheet averages of firms in business "under 10 years" and "10 years and over".

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from $50,000 in 1950 to $55,000 in 1952, and rent showed a proportionate increase from $600 to $660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

In 1952 the average gross profit, expressed as a percentage of average net sales, increased only slightly for both unincorporated and incorporated firms, when compared to 1950 results. Total operating expense ratios for unincorporated stores also increased by approximately the same amount, resulting in a net operating profit ratio of 10.45 per cent for 1952 operations compared to 10.44 per cent for 1950. Therefore unincorporated firms netted almost the same proportion of the average sales' dollar for both years, but because average net sales (or the number of average sales' dollars) were greater in 1952, these firms actually realized a greater dollar profit from their 1952 operations. The total operating expenses ratio of incorporated stores increased from 23.38 per cent in 1950 to 24.55 per cent of net sales in 1952. Because there was only a slight increase in the gross profit ratio for these firms, the general increase in operating expenses was reflected in a lower net operating profit ratio of 2.79 per cent for 1952 compared to 3.64 per cent for 1950. In addition, average sales showed a decline for incorporated firms. Consequently these firms realized a smaller profit in 1952 than is indicated by direct ratio comparison.

Inventories averaged slightly higher in value at the end of 1952 than at the beginning of the year for both unincorporated and incorporated firms.

The annual average rate of stock turnover ranged from 1.46 in the smaller stores to 2.93 for firms in the largest sales-size category.

Operating Results of Independent Hardware Stores 1950 and 1952 Compared

Item	Unincorporated		Incorporated	
	1950	1952	1950	1952
Average net sales ..... $	52,683	56,710	112,917	105,075
Profit and Loss Data (Per cent of net sales)				
Gross profit	**25.82**	**25.91**	**27.02**	**27.34**
Operating expenses:				
Employees' salaries	7.38	7.28	14.22	15.34
Occupancy	3.92	4.01	3.85	4.14
Delivery	1.28	1.26	1.34	1.43
Store supplies	0.43	0.47	0.49	0.55
Advertising	0.69	0.71	1.37	0.93
All other expenses	1.68	1.73	2.11	2.16
Total operating expenses	**15.38**	**15.46**	**23.38**	**24.55**
Net operating profit before provisions for income tax[1]	**10.44**	**10.45**	**3.64**	**2.79**

1. Includes proprietors' salaries for unincorporated stores.

Financial Ratios of Independent Hardware Stores as at December 31, 1952

Ratio[1]	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current ratio	4.65	4.55	3.72	3.68
Liquidity ratio	1.61	1.55	1.46	1.01
Working capital to net worth	0.76	0.87	0.68	0.89
Worth debt ratio	3.26	2.95	2.71	2.33
Turnover of total capital employed	1.48	2.04	1.39	1.96

1. Ratio definitions are shown on page 6.

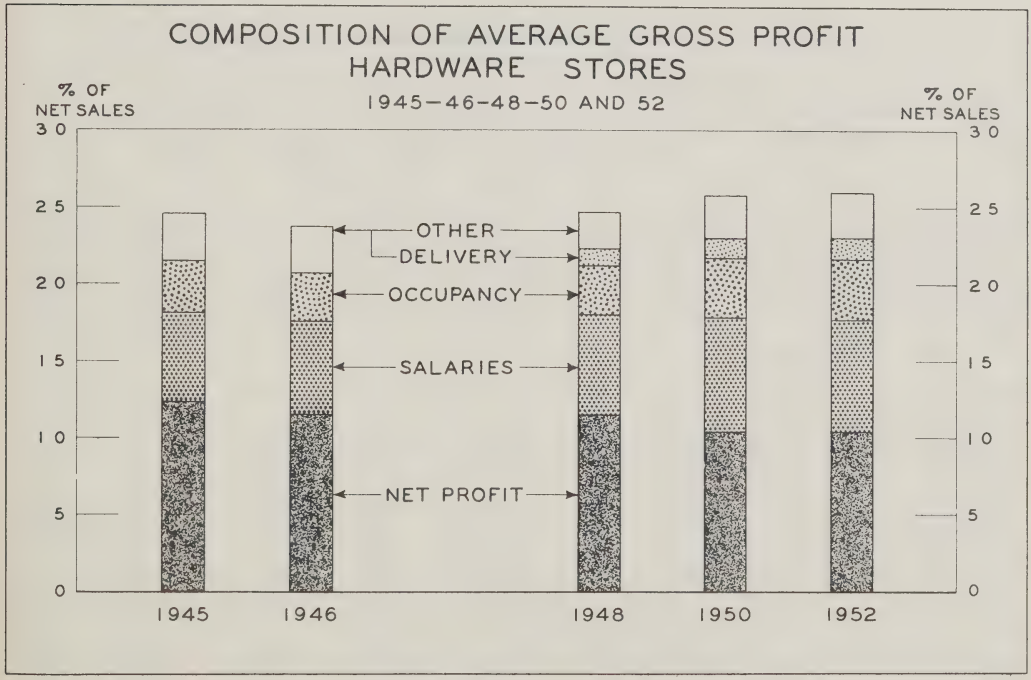


TABLE 1. Independent Hardware Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	25	90	58	24	19	88	66	34
Average net sales per store $	16,130	34,923	65,807	143,288	7,140	35,019	72,098	140,778
Average cost of goods sold $	11,958	26,196	49,120	108,332	5,032	25,035	52,500	105,623
Average beginning inventory $	7,596	13,206	19,463	45,609	3,391	12,487	20,439	36,024
Average inventory, end of year $	7,909	13,249	19,271	45,440	3,505	12,576	21,007	36,108
Stock turnover (times per year)	1.54	1.98	2.54	2.38	1.46	2.00	2.53	2.93
Profit and Loss Data (Per cent of net sales)								
Gross profit	**25.86**	**24.98**	**25.35**	**24.39**	**29.53**	**28.51**	**27.18**	**24.97**
Operating expenses:								
Employees' salaries and wages	2.37	5.80	6.90	8.25	3.26	6.25	7.53	8.93
Taxes	1.16	0.98	0.73	0.60	0.65	0.56	0.30	0.22
Insurance	0.91	0.78	0.62	0.54	1.08	0.60	0.43	0.44
Rent	—	—	—	—	4.03	3.01	2.07	1.62
Heat, light and power	1.15	0.98	0.72	0.41	0.99	0.81	0.55	0.45
Delivery	1.12	0.96	1.13	1.15	2.02	1.28	1.54	1.33
Repairs and maintenance	0.46	0.59	0.57	0.28	0.33	0.45	0.33	0.23
Depreciation allowances	1.01	1.20	0.93	0.65	0.71	0.62	0.56	0.33
Store supplies	0.48	0.54	0.45	0.51	0.42	0.48	0.38	0.47
Advertising	0.26	0.42	0.72	0.68	0.30	0.59	0.74	1.04
Bad debts written off	0.20	0.15	0.21	0.55	—	0.15	0.18	0.27
(Less) amount recovered	—	0.01	0.01	0.19	—	—	0.03	0.03
Net bad debt loss	0.20	0.14	0.20	0.36	—	0.15	0.15	0.24
All other expenses	1.87	1.55	1.59	1.22	1.90	1.78	1.80	1.17
Total operating expenses	**10.99**	**13.94**	**14.56**	**14.65**	**15.69**	**16.58**	**16.38**	**16.47**
Net trading profit before deduction of proprietors' salaries and income tax	**14.87**	**11.04**	**10.79**	**9.74**	**13.84**	**11.93**	**10.80**	**8.50**

TABLE 2. Independent Hardware Stores — Operating Results of Incorporated Stores by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		
	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	10	11	11	21	23
Average net sales per store $	66,092	146,444	37,842	78,076	181,532
Average cost of goods sold $	47,731	106,963	26,228	55,809	133,144
Average beginning inventory $	18,116	45,405	15,811	30,789	49,689
Average inventory, end of year $	17,925	45,264	14,971	30,254	50,797
Stock turnover (times per year)	2.65	2.36	1.70	1.83	2.65
Profit and Loss Data (Per cent of net sales)					
Gross profit	**27.78**	**26.96**	**30.69**	**28.52**	**26.65**
Operating expenses:					
Employees' salaries and wages	15.36	16.07	16.80	15.55	14.75
Taxes	0.89	0.75	0.50	0.56	0.37
Insurance	0.57	0.62	0.68	0.61	0.44
Rent	—	—	4.37	3.04	1.74
Heat, light and power	0.75	0.52	1.27	0.68	0.43
Delivery	1.54	0.99	0.77	1.80	1.51
Repairs and maintenance	0.51	0.24	0.17	0.36	0.21
Depreciation allowances	1.12	0.59	0.59	0.48	0.51
Store supplies	0.48	0.59	0.61	0.64	0.51
Advertising	0.65	1.04	0.81	1.06	0.91
Bad debts-written off	0.41	0.55	0.02	0.19	0.37
(Less) amount recovered	0.13	0.07	—	0.03	0.05
Net bad debt loss	0.28	0.48	0.02	0.16	0.32
All other expenses	1.96	2.18	2.00	2.05	1.55
Total operating expenses	**24.11**	**24.07**	**28.59**	**26.99**	**23.25**
Net operating profit before provision for income tax	**3.67**	**2.89**	**2.10**	**1.53**	**3.40**

TABLE 3. Independent Hardware Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1952

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current assets:								
Cash on hand and in bank	2,010	3,072	2,695	5,287	5,297	5,293	6,634	4,181
Accounts and notes receivable (net)	3,339	2,089	2,532	4,766	6,109	5,567	13,580	5,165
Merchandise inventory	13,473	13,838	13,709	19,193	20,080	19,721	47,029	20,518
Other current assets	335	1,334	980	1,634	2,426	2,106	2,008	1,529
Total current assets	**19,157**	**20,333**	**19,916**	**30,880**	**33,912**	**32,687**	**69,251**	**31,393**
Fixed assets (net):								
Used in the business	7,714	6,965	7,230	13,619	8,536	10,587	15,784	9,633
Not used in the business	799	1,491	1,246	629	336	454	82	798
Total fixed assets (net)	**8,513**	**8,456**	**8,476**	**14,248**	**8,872**	**11,041**	**15,866**	**10,431**
Other assets:								
Investments of a permanent nature	7	145	96	126	480	337	1,118	325
Intangibles	168	363	294	415	2	169	238	242
Total other assets	**175**	**508**	**390**	**541**	**482**	**506**	**1,356**	**567**
Total assets	**27,845**	**29,297**	**28,782**	**45,669**	**43,266**	**44,234**	**86,473**	**42,391**
Liabilities								
Current liabilities — accounts and notes payable	4,920	3,586	4,053	8,362	7,652	7,938	13,329	6,756
Fixed liabilities — mortgages on fixed assets:								
Used in the business	2,098	1,151	1,487	3,773	856	2,033	2,431	1,815
Not used in the business	46	157	118	365	18	158	—	116
Other liabilities	980	376	590	1,852	308	931	4,563	1,266
Total liabilities	**8,044**	**5,270**	**6,253**	**14,352**	**8,834**	**11,060**	**20,323**	**9,947**
Net worth — proprietor's or partners' equity in the business	19,801	24,027	22,529	31,317	34,432	33,174	66,150	32,444
Total liabilities and net worth	**27,845**	**29,297**	**28,782**	**45,669**	**43,266**	**44,234**	**86,473**	**42,391**
Number of stores reporting	28	51	79	23	34	57	22	158
Average net sales of stores reporting	33,707	36,202	35,318	66,301	65,600	65,881	143,770	61,446

TABLE 4. Independent Hardware Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1952

Item	Stores with annual net sales of									Total all sizes $20,000 and over
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	1,951	3,010	2,643	4,062	7,242	6,201	7,901	6,670	7,186	4,722
Accounts and notes receivable (net)	2,037	1,583	1,740	3,366	5,072	4,513	11,742	10,768	11,176	4,455
Merchandise inventory	12,837	12,067	12,333	21,871	20,216	20,758	37,518	32,901	34,838	19,437
Other current assets	151	660	484	661	1,166	1,001	564	2,700	1,804	909
Total current assets	**16,976**	**17,320**	**17,200**	**29,960**	**33,696**	**32,473**	**57,725**	**53,039**	**55,004**	**29,523**
Fixed assets (net):										
Used in the business	1,998	1,651	1,771	4,385	2,104	2,852	2,800	2,541	2,650	2,310
Not used in the business	1,303	2,851	2,315	1,474	3,791	3,031	—	700	406	2,210
Total fixed assets (net)	**3,301**	**4,502**	**4,086**	**5,859**	**5,895**	**5,883**	**2,800**	**3,241**	**3,056**	**4,520**
Other assets:										
Investments of a permanent nature	33	25	28	147	1,996	1,391	119	—	50	505
Intangibles	108	251	202	1,390	1,399	1,732	443	148	272	746
Total other assets	**141**	**276**	**230**	**1,537**	**3,895**	**3,123**	**562**	**148**	**322**	**1,251**
Total assets	**20,418**	**22,098**	**21,516**	**37,356**	**43,486**	**41,479**	**61,087**	**56,428**	**58,382**	**35,294**
Liabilities										
Current liabilities — accounts and notes payable	4,150	3,901	3,998	8,155	5,651	6,471	13,538	12,306	12,823	6,495
Fixed liabilities—mortgages on fixed assets:										
Used in the business	1,068	692	822	580	—	190	2,690	—	1,128	660
Not used in the business	779	532	650	1,103	571	746	—	—	—	563
Other liabilities	1,941	425	950	2,254	1,386	1,671	96	1,660	1,004	1,210
Total liabilities	**7,968**	**5,600**	**6,420**	**12,092**	**7,608**	**9,078**	**16,324**	**13,966**	**14,955**	**8,928**
Net worth — proprietor's or partners' equity in the business	12,450	16,498	15,096	25,264	35,878	32,401	44,763	42,462	43,427	26,366
Total liabilities and net worth	**20,418**	**22,098**	**21,516**	**37,356**	**43,486**	**41,479**	**61,087**	**56,428**	**58,382**	**35,294**
Number of stores reporting	27	51	78	19	39	58	13	18	31	167
Average net sales of stores reporting	36,115	34,693	35,134	73,366	72,476	72,766	140,385	136,735	138,266	67,373

TABLE 5. Independent Hardware Stores — Financial Structure of Incorporated Stores by Size and Occupancy as at December 31, 1952

Item	Owned stores with annual net sales of		Total all sizes $20,000 and over	Rented stores with net sales of			Total all sizes $20,000 and over
	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets							
Current assets:							
Cash on hand and in bank	6,688	3,562	4,692	2,932	1,953	5,723	3,658
Accounts and notes receivable (net)	3,826	17,451	10,313	1,621	6,124	14,296	8,492
Merchandise inventory	17,925	41,474	29,121	15,563	30,679	50,510	35,588
Other current assets	1,994	5,284	3,766	75	2,026	1,361	1,370
Total current assets	**30,433**	**67,771**	**47,892**	**20,191**	**40,782**	**71,895**	**49,108**
Fixed assets (net):							
Used in the business	12,518	20,801	16,264	1,903	2,237	7,296	4,194
Not used in the business	3,924	568	1,816	—	529	1,934	985
Total fixed assets (net)	**16,442**	**21,369**	**18,080**	**1,903**	**2,766**	**9,230**	**5,179**
Other assets:							
Investments of a permanent nature	648	2,357	1,376	—	21	356	151
Intangibles	1,352	6,117	3,504	4,219	3,563	2,071	3,098
Total other assets	**2,000**	**8,474**	**4,880**	**4,219**	**3,584**	**2,427**	**3,249**
Total assets	**48,875**	**97,614**	**70,852**	**26,313**	**47,132**	**83,552**	**57,536**
Liabilities							
Current liabilities — accounts and notes payable	6,498	18,948	12,886	4,089	13,634	17,702	13,352
Fixed liabilities — mortgages on fixed assets:							
Used in the business	2,745	5,478	4,024	67	745	293	429
Not used in the business	1,353	—	501	—	—	—	—
Other liabilities	2,400	1,579	1,661	758	2,405	5,911	3,478
Total liabilities	**12,996**	**26,005**	**19,072**	**4,914**	**16,784**	**23,906**	**17,259**
Net worth:							
Capital stock	18,451	47,147	31,810	14,152	19,066	23,677	19,927
Surplus and undivided profits	17,428	24,462	19,970	7,247	11,282	35,969	20,350
Total net worth	35,879	71,609	51,780	21,399	30,348	59,646	40,277
Total liabilities and net worth	**48,875**	**97,614**	**70,852**	**26,313**	**47,132**	**83,552**	**57,536**
Number of stores reporting	10	13	27	10	20	20	50
Average net sales of stores reporting	66,093	135,702	96,061	39,547	77,293	180,616	111,073

INDEPENDENT FURNITURE STORES

This classification includes stores recognized by the trade as independent furniture stores. The term "independent" is used to mean non-chain or single establishment firms. The results presented for this trade are for unincorporated stores only. Although some of the respondents incorporated since the survey of 1950 operations, there was an insufficient number to permit presentation of incorporated store results. After careful editing of the questionnaires returned, it was possible to use 119 reports of unincorporated independent furniture stores for profit and loss tabulations. Of these, 62 conducted business in owned premises and 57 in rented premises for which separate tabulations are shown. A further differentiation was made within each of these categories to show results of firms within typical sales-size ranges.

Balance sheet results are shown, in the form of averages, for both owned and rented categories, but only for those firms in the annual sales-size groups commencing at $20,000. Returns from 100 stores, comprised at 55 owned and 45 rented, were used to obtain the balance sheet averages of furniture stores.

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from $50,000 in 1950 to $55,000 in 1952, and rent showed a proportionate increase from $600 to $660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales, increased slightly from 27.05 per cent in 1950 to 27.75 per cent in 1952. Operating expenses, in total, showed a larger increase from 18.35 per cent to 19.47 for the respective years' operations. This increase was not general however; slight declines occurred in occupancy expense, store supplies and advertising. The fact that total operating expenses increased to a greater extent than did the gross profit, caused a slight decline from 8.70 per cent in 1950 to 8.28 per cent in 1952 in the net operating profit ratios. However, average annual net sales were greater in 1952.

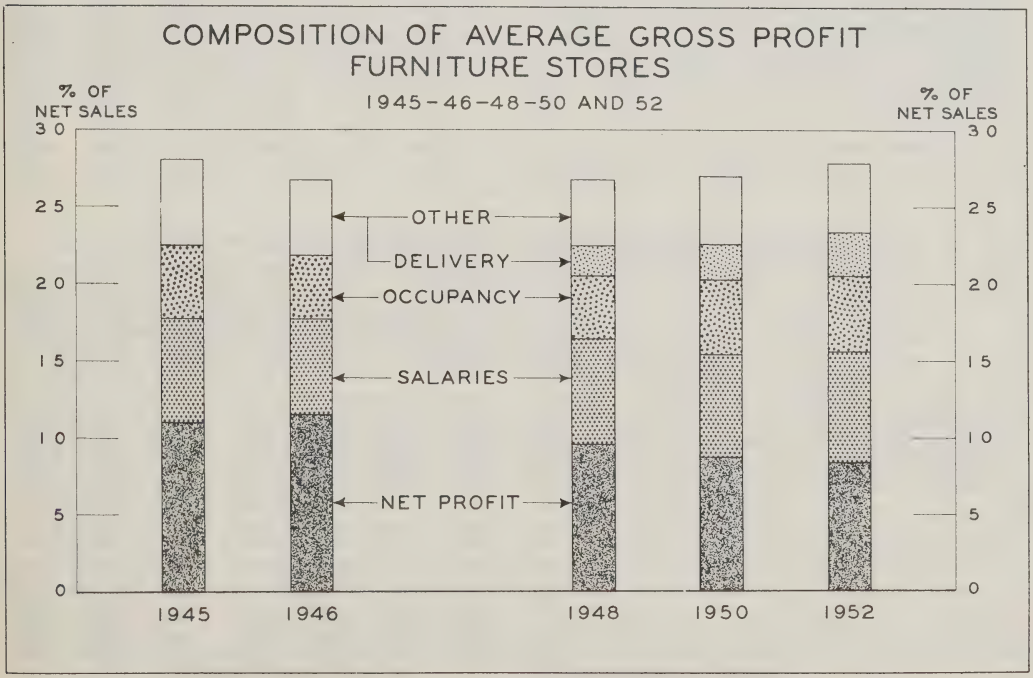
Therefore, although the net operating profit formed a smaller portion of the average sales' dollar, it does not necessarily mean that furniture stores realized a smaller profit, because the average net sales (or the number of sales' dollars) increased.

Generally, inventories were slightly higher in value at the end of 1952 than at the beginning of the year.

The annual rate of stock turnover ranged from 1.96 in the smaller stores to 2.92 for stores in the largest sales-size category.

Operating Results of Independent Furniture Stores, 1950 and 1952 Compared

Item	Unincorporated	
	1950	1952
Average net sales ..... $	91,256	100,877
Profit and Loss Data (Per cent of net sales)		
Gross profit	**27.05**	**27.75**
Operating expenses:		
Employees' salaries	6.69	7.30
Occupancy	4.89	4.87
Delivery	2.30	2.80
Store supplies	0.40	0.39
Advertising	1.58	1.50
All other expenses	2.49	2.61
Total operating expenses	**18.35**	**19.47**
Net operating profit before deduction of proprietors's salaries and income tax	**8.70**	**8.28**



Financial Ratios of Independent Furniture Stores as at December 31, 1952

Ratio[1]	Owned	Rented
Current ratio	2.87	2.03
Liquidity ratio	1.36	1.10
Working capital to net worth	0.63	0.82
Worth debt ratio	2.24	1.07
Turnover of total capital employed	1.26	1.57

1. Ratio definitions are shown on page 6.

TABLE 6. Independent Furniture Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	15	23	16	10	18	24
Average net sales per store $	32,369	71,421	157,426	32,105	68,335	233,226
Average cost of goods sold $	22,937	52,427	114,329	22,201	50,247	167,243
Average beginning inventory $	11,996	19,040	42,148	9,087	18,854	56,105
Average inventory, end of year $	11,361	19,139	43,086	9,933	18,607	58,590
Stock turnover (times per year)	1.96	2.75	2.68	2.33	2.68	2.92
Profit and Loss Data (Per cent of net sales)						
Gross profit	**29.13**	**26.59**	**27.38**	**30.84**	**26.47**	**28.29**
Operating expenses:						
Employees' salaries and wages	4.53	6.19	6.64	6.84	5.64	8.68
Taxes	1.12	1.11	0.86	0.92	0.42	0.42
Insurance	0.80	0.89	0.60	0.92	0.69	0.69
Rent	—	—	—	4.24	3.59	2.54
Heat, light and power	1.37	0.90	0.84	0.89	0.89	0.56
Delivery	2.97	2.30	2.79	3.68	2.59	2.93
Repairs and maintenance	0.89	0.67	0.54	0.29	0.44	0.27
Depreciation allowances	0.78	1.34	0.83	1.02	0.26	0.27
Store supplies	0.50	0.47	0.44	0.29	0.48	0.33
Advertising	1.13	0.95	1.35	1.21	1.17	1.87
Bad debts-written off	0.72	0.45	0.80	0.40	0.37	0.87
(Less) amount recovered	0.03	0.20	0.23	0.20	0.03	0.15
Net bad debt loss	0.69	0.25	0.57	0.20	0.34	0.72
All other expenses	2.30	2.09	2.42	2.45	2.17	1.80
Total operating expenses	**17.08**	**17.16**	**17.88**	**22.95**	**18.68**	**21.08**
Net operating profit before deduction of proprietors' salaries and income tax	**12.05**	**9.43**	**9.50**	**7.89**	**7.79**	**7.21**

TABLE 7. Independent Furniture Stores Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952

Item	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets								
Current assets:								
Cash on hand and in bank	2,561	2,118	7,607	4,043	4,406	2,919	4,141	3,688
Accounts and notes receivable (net)	6,556	12,729	36,256	18,632	8,284	11,120	57,827	32,538
Merchandise inventory	12,216	19,451	51,044	27,684	9,146	18,735	54,002	33,914
Other current assets	1,382	1,208	4,170	2,229	175	715	7,163	3,652
Total current assets	**22,715**	**35,506**	**99,077**	**52,588**	**22,011**	**33,489**	**123,133**	**73,792**
Fixed assets (net):								
Used in the business	8,665	18,647	30,799	19,719	1,167	3,505	15,007	8,561
Not used in the business	2,387	996	5,096	2,742	3,260	861	638	1,077
Total fixed assets (net)	**11,052**	**19,643**	**35,895**	**22,461**	**4,427**	**4,366**	**15,645**	**9,638**
Other assets:								
Investments of a permanent nature	2,013	218	4,174	2,034	—	222	1,925	987
Intangibles	—	376	5,126	1,822	—	442	7,676	3,759
Total other assets	**2,013**	**594**	**9,300**	**3,856**	**—**	**664**	**9,601**	**4,746**
Total assets	**35,780**	**55,743**	**144,272**	**78,905**	**26,438**	**38,519**	**148,379**	**88,176**

TABLE 7. Independent Furniture Stores Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952 — Concluded

Item	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Liabilities								
Current liabilities — accounts and notes payable	5,982	12,693	35,894	18,333	5,057	10,827	67,022	36,281
Fixed liabilities — mortgages on fixed assets:								
Used in the business	2,093	4,335	4,029	3,532	1,345	1,803	7,317	4,315
Not used in the business	171	564	3,102	1,280	2,333	151	—	372
Other liabilities	881	614	1,960	1,132	333	1,830	2,008	1,714
Total liabilities	**9,127**	**18,206**	**44,985**	**24,327**	**9,068**	**14,611**	**76,347**	**42,682**
Net worth — proprietor's or partners' equity in the business	26,653	37,537	99,287	54,578	17,370	23,908	72,032	45,494
Total liabilities and net worth	**35,780**	**55,743**	**144,272**	**78,905**	**26,438**	**38,519**	**148,379**	**88,176**
Number of stores reporting	16	21	18	55	6	13	21	45
Average net sales of stores reporting	32,224	72,851	179,352	95,884	36,284	63,357	224,705	137,042

INDEPENDENT HOUSEHOLD APPLIANCE AND RADIO STORES

This classification includes stores recognized by the trade as independent household appliance and radio stores. The term "independent" is used to mean non-chain or single establishment firms. The results presented for this trade are for unincorporated stores only. Although some of the respondents incorporated since the survey of 1950 operations, there was an insufficient number to permit presentation of incorporated store results. After careful editing of the questionnaires returned, it was possible to use 81 reports of unincorporated household appliance and radio stores for profit and loss tabulations. Of these, 35 conducted business in owned premises and 46 in rented premises for which separate results are shown. A further differentiation was made within each of these categories to show results of firms within typical sales-size ranges.

Balance sheet results are shown, in the form of averages, for both owned and rented categories, but only for those firms in the annual sales-size groups commencing at $20,000. Returns from 76 stores, comprised of 32 owned and 44 rented, were used to obtain the balance sheet averages of household appliance and radio stores.

Operating Results

Although identical firm results are not used, a reasonable year-to-year comparison of operating results may be made. Because profits and expenses for each year are expressed as percentages of their respective sales, it is necessary to take into account the change in sales to make a significant interpretation of changes in ratios. As an example, if average sales increased 10 per cent from $50,000 in 1950 to $55,000 in 1952, and rent showed a proportionate increase from $600 to $660, the rent expense ratio would be identical for both years. However, if rent remained unchanged, or increased less than 10 per cent, the rent expense ratio would decline.

The average gross profit, expressed as a percentage of average net sales, declined slightly from 27.84 per cent in 1950 to 26.36 per cent in 1952. Conversely, the total operating expenses ratio increased from 17.82 per cent to 18.59 per cent for the respective years' operations. This condition was not general however; slight declines occurred in occupancy and store supplies expense ratios. The combined effect of a lower gross profit ratio, or "mark-up", and a higher total expense ratio resulted in a significant decline in the net operating profit ratio from 10.02 per cent to 7.77 per cent for 1950 and 1952 respectively. However, average net sales of the reporting stores were significantly higher in 1952. Therefore, although the net operating profit formed a smaller portion of the 1952 average net sales' dollar, household appliance and ratio store proprietors were not in the unfavourable position indicated by direct ratio comparison, because the average net sales (or the number of sales' dollars) increased.

Generally, inventories were of slightly higher value at the end of 1952 than at the beginning of the year.

The annual rate of stock turnover ranged from 1.84 in the smaller stores to 5.77 for stores in the largest sales-size category.

Operating Results of Independent Household Appliance and Radio Stores 1950 and 1952 Compared

Item	Unincorporated	
	1950	1952
Average net sales ..... $	78,074	99,172
Profit and Loss Data (Per cent of net sales)		
Gross profit	**27.84**	**26.36**
Operating expenses:		
Employees' salaries	8.49	8.72
Occupancy	3.56	3.49
Delivery	1.72	2.19
Store supplies	0.45	0.34
Advertising	1.57	1.70
All other expenses	2.03	2.15
Total operating expenses	**17.82**	**18.59**
Net profit before deduction of proprietors' salaries and income tax	**10.02**	**7.77**

Financial Ratios of Independent Household Appliance and Radio Stores as at December 31, 1952

Ratio[1]	Owned	Rented
Current ratio	2.60	2.01
Liquidity ratio	1.25	1.08
Working capital to net worth	0.61	0.87
Worth debt ratio	1.94	1.07
Turnover of total capital employed	1.70	2.46

1. Ratio definitions are shown on page 6.

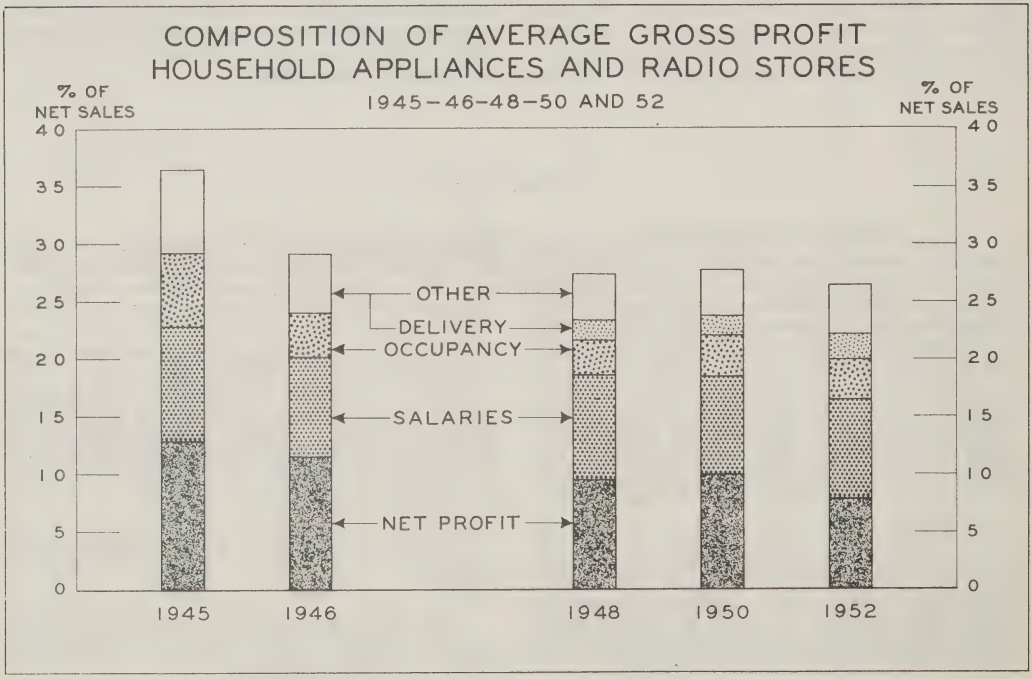


TABLE 8. Independent Household Appliance and Radio Stores — Operating Results by Sales Volume and Occupancy Basis, 1952

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	13	14	8	10	12	24
Average net sales per store	$ 32,561	69,976	165,538	33,254	69,034	193,375
Average cost of goods sold	$ 22,062	52,586	124,914	24,569	49,268	143,067
Average beginning inventory	$ 12,067	16,932	18,649	7,546	12,302	27,845
Average inventory, end of year	$ 11,906	15,200	24,625	7,744	11,839	31,660
Stock turnover (times per year)	1.84	3.27	5.77	3.21	4.08	4.81
Profit and Loss Data (Per cent of net sales)						
Gross profit	**32.24**	**24.85**	**24.54**	**26.12**	**28.63**	**26.01**
Operating expenses:						
Employees' salaries and wages	8.58	7.87	9.09	7.48	8.57	8.92
Taxes	1.18	0.68	0.62	0.34	0.27	0.16
Insurance	0.66	0.72	0.48	0.39	0.38	0.38
Rent	—	—	—	2.94	2.45	1.55
Heat, light and power	1.25	0.84	0.56	0.86	0.32	0.27
Delivery	1.57	1.72	1.84	1.76	1.95	2.49
Repairs and maintenance	0.57	0.63	0.24	0.45	0.32	0.37
Depreciation allowances	1.24	1.11	0.74	0.46	0.95	0.33
Store supplies	0.53	0.40	0.18	0.40	0.35	0.34
Advertising	1.14	1.43	1.73	1.12	1.60	1.87
Bad debts-written off	0.15	0.42	0.09	0.43	0.26	0.33
(Less) amount recovered	—	—	—	0.03	0.01	0.04
Net bad debt loss	0.15	0.42	0.09	0.40	0.25	0.29
All other expenses	2.62	2.07	1.81	1.15	2.04	1.80
Total operating expenses	**19.49**	**17.89**	**17.38**	**17.75**	**19.45**	**18.77**
Net operating profit before deduction of proprietors' salaries and income tax	**12.75**	**6.96**	**7.16**	**8.37**	**9.18**	**7.24**

TABLE 9. Independent Household Appliance and Radio Stores — Financial Structure of Unincorporated Stores by Size and Occupancy Basis as at December 31, 1952

Item	Owned stores with annual net sales of			Total all sizes (owned)	Rented stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over		$20,000 to $49,999	$50,000 to 99,999	$100,000 and over	
Assets								
Current assets:								
Cash on hand and in bank	3,450	3,657	8,096	4,550	2,880	2,986	3,758	3,366
Accounts and notes receivable (net)	4,664	10,511	16,323	9,590	4,570	5,305	35,832	21,095
Merchandise inventory	12,066	15,871	26,474	16,764	7,753	11,827	32,553	21,735
Other current assets	3,356	369	359	1,487	436	765	1,039	833
Total current assets	**23,536**	**30,408**	**51,252**	**32,391**	**15,639**	**20,883**	**73,182**	**47,029**
Fixed assets (net):								
Used in the business	8,962	13,875	19,060	13,167	1,738	2,171	6,036	4,093
Not used in the business	1,663	4,469	—	2,439	2,542	—	682	934
Total fixed assets (net)	**10,625**	**18,344**	**19,060**	**15,606**	**4,280**	**2,171**	**6,718**	**5,027**
Other assets:								
Investments of a permanent nature	2,951	—	—	1,106	—	461	457	354
Intangibles	—	115	3	48	133	279	278	245
Total other assets	**2,951**	**115**	**3**	**1,154**	**133**	**740**	**735**	**599**
Total assets	**37,112**	**48,867**	**70,315**	**49,151**	**20,052**	**23,794**	**80,635**	**52,655**
Liabilities								
Current liabilities — accounts and notes payable	4,643	12,672	25,462	12,459	4,398	8,450	38,821	23,404
Fixed liabilities — mortgages on fixed assets:								
Used in the business	881	3,062	3,574	2,356	—	1	226	119
Not used in the business	20	1,852	—	760	—	—	—	—
Other liabilities	1,150	1,152	1,182	1,158	1,334	100	3,070	1,933
Total liabilities	**6,694**	**18,738**	**30,218**	**16,733**	**5,732**	**8,551**	**42,117**	**25,456**
Net worth — proprietor's or partners' equity in the business	30,418	30,129	40,097	32,418	14,320	15,243	38,518	27,199
Total liabilities and net worth	**37,112**	**48,867**	**70,315**	**49,151**	**20,052**	**23,794**	**80,635**	**52,655**
Number of stores reporting	12	13	7	32	10	11	23	44
Average net sales of stores reporting	33,514	71,105	173,511	79,412	33,254	67,315	196,602	127,155

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES

1954

(Independent)

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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** – The Primary Industries, including mining, forestry and fisheries; **Volume II** – Manufacturing; **Volume III** – Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I – Wholesale Statistics

A – Wholesale Trade, 25¢
*B – Operating Results of Food Wholesalers, 25¢
*C – Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
*D – 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
2 Operating Results of Drug Wholesalers, 25¢
3 Operating Results of Hardware Wholesalers, 25¢
4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II – Retail Statistics

E – General Review – (Discontinued)
F – Retail Trade, 50¢
G – Retail Chain Stores, 50¢
*H – Operating Results of Food Store Chains, 25¢
* I – Operating Results of Clothing Store Chains, 25¢
* J – 1 Operating Results of Variety Store Chains, 25¢
2 Operating Results of Drug Stores Chains, 25¢
3 Operating Results of Furniture Store Chains, 25¢
K – Operating Results of Independent Food Stores, 25¢
L – Operating Results of Independent Clothing Stores, 25¢
M – Operating Results of Independent Hardware, Furniture, Appliance and Radio Stores, 25¢
N – Operating Results of Filling Stations & Garages, 25¢
O – 1 Operating Results of Independent General Stores, 25¢
2 Operating Results of Independent Restaurants, 25¢
3 Operating Results of Independent Fuel Dealers, 25¢
4 Operating Results of Independent Drug Stores, 25¢
5 Operating Results of Independent Jewellery Stores, 25¢
6 Operating Results of Independent Tobacco Stores, 25¢
P – Retail Consumer Credit, 25¢

Part III – Services and Special Fields

Q – Laundries, Cleaners and Dyers, 25¢
R – Motion Picture Theatres, Exhibitors and Distributors, 25¢
S – Hotels, 25¢
T – Sales Financing, 25¢
U – Farm Implement and Equipment Sales, 25¢
V – New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
W – Advertising Agencies (Memorandum), 10¢
X – Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

*Biennial reports – not issued for 1954.

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DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all cost incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licenses and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – Unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

– Incorporated business – net worth is shown in two parts:

(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and

(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowance for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a strong or more favourable ratio.

Liquidity Ratio – Current Assets less Merchandise Inventory ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE AND RADIO STORES 1954

(Independent)

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trades covered here. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report.

1. Hardware stores
2. Furniture stores
3. Household appliance, radio and television stores

There are analyses of:

1. Profit and loss statements
2. Balance sheet statements

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories.

Balance sheet data, which was introduced in 1948, is continued in this 1954 study. This information is presented by sales-size and kind of occupancy groups for stores with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

INDEPENDENT HARDWARE STORES

Only retail establishments selling mainly typical hardware lines such as builders' hardware or shelf hardware, carpenters' and mechanics' tools etc. are covered in this report. Other items such as paints, varnishes, household appliances, farm tools, kitchenware, radios and sporting goods are usually included. Certain service operations may be carried but they should not exceed 50% of total net sales.

Unincorporated and incorporated "single establishment" or "independent" firms only are covered. After careful editing, 428 questionnaires were used for the profit and loss tabulations of unincorporated stores (234 for owned and 194 for rented stores). The results of incorporated stores were derived from 133 properly completed questionnaires (56 for owned and 77 for rented stores).

Returns from which balance sheet data were used numbered 345 for unincorporated stores and 124 for incorporated firms. Any change in the actual count from survey to survey may be attributed to changes in store classification, stores going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stores is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 Census were used. For example, in response to this survey, independent stores between $10,000 and $19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total hardware store sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales increased for unincorporated stores from 25.74 per cent for 1952 to 25.83 per cent for 1954. Incorporated stores' average gross profit decreased from 27.18 per cent in 1952 to 26.97 per cent for 1954. The increase in operating expenses was much higher for unincorporated stores than for incorporated firms. The result was a greater decrease in net operating profit than the net operating profit decrease of incorporated stores, (10.80 per cent in 1952 down to 9.00 per cent for 1954; incorporated stores 2.81 per cent for 1952 down to 2.00 per cent for 1954). Delivery and store supplies expenses both showed a decrease from the previous survey. Salaries of management, charged as operating expenses, account for the low net profit ratio of incorporated stores compared to unincorporated firms.

Inventories were at a higher level at the end of the year than at the beginning for both unincorporated and incorporated stores.

The rate of stock turnover generally increased with sales-sizes for owned and rented stores for both forms of organization, ranging from 1.21 to 2.80 times per year.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, charts and tables, will give more detail and information on operating results and financial position of independent hardware stores for 1954.

Operating Results of Independent Hardware Stores 1952 and 1954 compared

Profit and loss data	Unincorporated		Incorporated	
	1952	1954	1952	1954
	(per cent of net sales)			
Gross profit	**25.74**	**25.83**	**27.18**	**26.97**
Operating expenses:				
Employees' salaries	6.84	8.09	15.58	15.70
Occupancy	4.04	4.52	3.67	4.14
Delivery	1.20	1.09	1.28	1.08
Store Supplies	0.48	0.46	0.56	0.51
Advertising	0.64	0.69	0.95	1.11
All other expenses	1.74	1.98	2.33	2.43
Total operating expenses	**14.94**	**16.83**	**24.37**	**24.97**
Net operating profit before deduction of income tax[1]	**10.80**	**9.00**	**2.81**	**2.00**

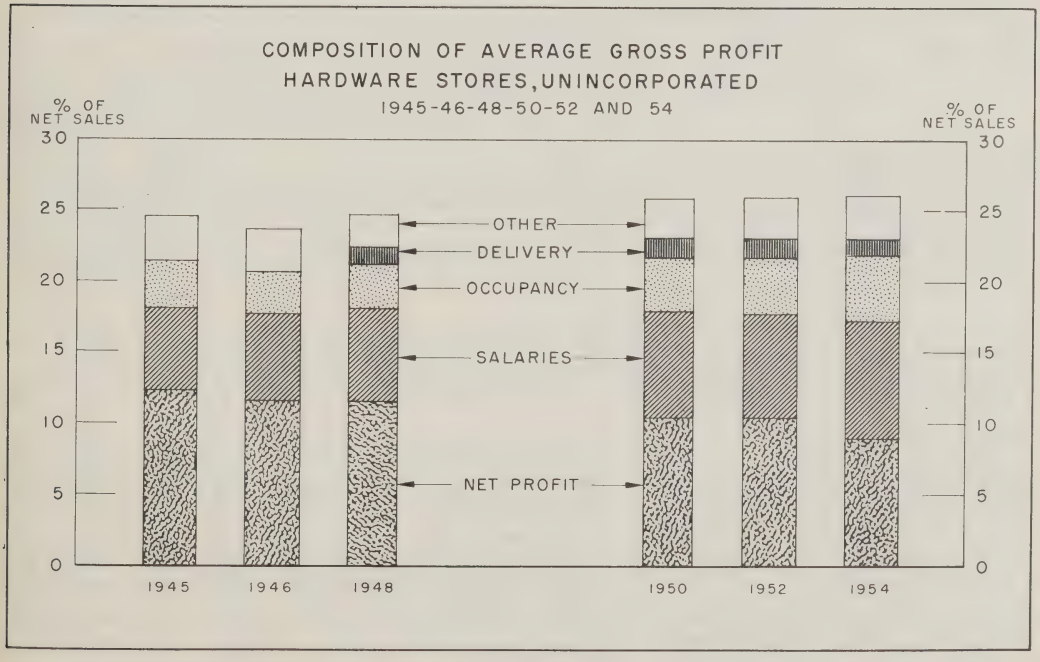
1. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Independent Hardware Stores as at December 31, 1948-50-52-54

Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio	1948	4.30	4.08	3.76	3.08
	1950	4.79	4.03	3.65	3.02
	1952	4.65	4.55	3.72	3.68
	1954	4.69	4.32	4.08	3.55
Liquidity ratio	1952	1.61	1.55	1.46	1.01
	1954	1.58	1.37	1.52	0.98
Working capital to net worth ratio	1948	0.71	0.91	0.76	0.87
	1950	0.72	0.90	0.78	0.90
	1952	0.76	0.87	0.68	0.89
	1954	0.71	0.94	0.78	0.99
Worth debt ratio	1948	3.45	2.94	2.38	2.04
	1950	3.33	2.50	1.79	1.85
	1952	3.26	2.95	2.71	2.33
	1954	3.29	2.43	1.99	1.68
Turnover of total capital employed	1952	1.48	2.04	1.39	1.96
	1954	1.41	1.82	1.52	1.82

Note: Ratio definitions are shown on page 6.



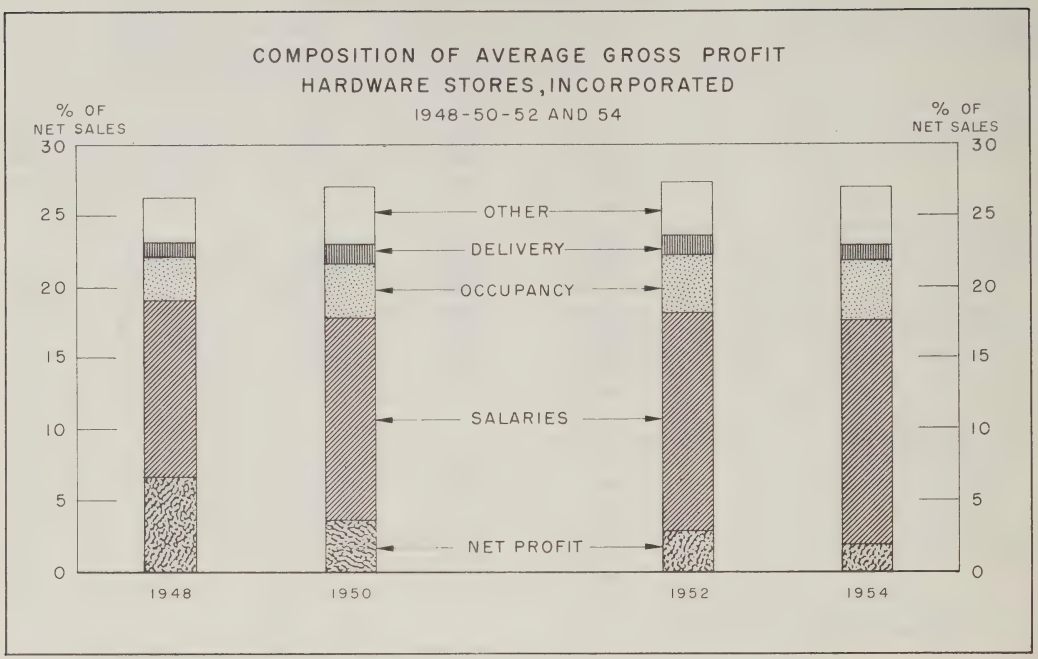


TABLE 1. Independent Hardware Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1954

Item	Owned stores with annual net sales of					Rented stores with annual net sales of			
	Under $10,000	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	7	45	101	64	17	16	81	65	26
Average net sales per store $	6,000	15,561	35,131	66,788	142,882	14,385	33,974	70,628	154,420
Average beginning inventory $	3,417	8,559	14,264	19,829	38,620	8,774	13,814	23,675	41,861
Average inventory, end of year $	3,367	8,400	14,397	20,548	39,922	8,476	13,662	24,046	42,635
Average cost of goods sold $	4,546	11,261	26,069	50,241	108,254	10,473	24,256	50,988	116,169
Stock turnover (times per year)	1.34	1.33	1.82	2.49	2.76	1.21	1.77	2.14	2.75
Profit and Loss Data (Per cent of net sales)									
Gross profit	24.23	27.63	25.79	24.78	24.23	27.19	28.60	27.81	24.77
Operating expenses:									
Employees' salaries and wages (except delivery)	—	3.27	6.77	7.81	10.17	2.85	7.04	9.28	10.39
Delivery	0.53	1.03	0.97	1.06	1.02	1.63	1.23	1.29	1.05
Occupancy expenses:									
Taxes	1.95	1.63	1.25	0.82	0.72	1.19	0.60	0.30	0.25
Insurance	0.95	1.24	0.80	0.75	0.60	0.81	0.71	0.49	0.44
Rent	—	—	—	—	—	5.20	3.24	2.27	1.68
Heat, light and power	2.18	2.01	1.18	0.80	0.43	1.44	0.91	0.64	0.43
Repairs and maintenance	0.08	1.02	0.55	0.49	0.35	0.59	0.35	0.32	0.25
Depreciation allowances	0.40	1.11	1.29	1.19	0.63	0.55	0.58	0.49	0.54
Total occupancy expenses	**5.56**	**7.01**	**5.07**	**4.05**	**2.73**	**9.78**	**6.39**	**4.51**	**3.59**
Office or store supplies	0.38	0.57	0.43	0.42	0.41	0.58	0.56	0.45	0.44
Advertising	0.26	0.46	0.55	0.70	0.62	0.36	0.67	0.96	1.07
Net loss on bad debts	0.14	0.10	0.18	0.35	0.37	0.17	0.13	0.14	0.30
All other expenses	1.31	1.96	1.76	1.91	1.56	1.52	1.84	1.80	1.34
Total operating expenses	**8.18**	**14.40**	**15.73**	**16.30**	**16.88**	**16.89**	**17.86**	**18.43**	**18.18**
Net operating profit before deduction of proprietors' salaries and income tax	**16.05**	**13.23**	**10.06**	**8.48**	**7.35**	**10.30**	**10.74**	**9.38**	**6.59**

TABLE 2. Independent Hardware Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1954

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	13	20	23	14	27	32
Average net sales per store $	38, 499	75, 442	195, 431	35, 252	68, 885	170, 663
Average beginning inventory $	15, 989	24, 807	50, 615	16, 553	27, 504	53, 485
Average inventory end of year $	16, 261	25, 231	51, 476	16, 560	28, 718	52, 899
Average cost of goods sold $	28, 099	55, 045	142, 878	24, 230	49, 346	125, 971
Stock turnover (times per year)	1. 74	2. 20	2. 80	1. 46	1. 76	2. 37
Profit and Loss Data (Per cent of net sales)						
Gross profit	**27. 01**	**27, 04**	**26. 89**	**31. 27**	**28. 36**	**26. 19**
Operating expenses:						
Employees' salaries and wages (except delivery)	17. 40	17. 07	15. 78	18. 43	14. 64	15. 21
Delivery	1. 28	1. 01	0. 96	1. 63	1. 48	1. 05
Occupancy expenses:						
Taxes	0. 95	0. 85	0. 81	0. 54	0. 54	0. 35
Insurance	0. 87	0. 85	0. 52	0. 63	0. 58	0. 54
Rent	—	—	—	3. 57	2. 67	2. 06
Heat, light and power	1. 17	0. 81	0. 56	0. 97	0. 72	0. 58
Repairs and maintenance	0. 47	0. 37	0. 35	0. 46	0. 35	0. 34
Depreciation allowances	1. 27	1. 31	1. 10	0. 71	0. 62	0. 54
Total occupancy expenses	**4. 73**	**4. 19**	**3. 34**	**6. 88**	**5. 48**	**4. 41**
Office or store supplies	0. 42	0. 51	0. 49	0. 56	0. 57	0. 51
Advertising	0. 74	0. 76	1. 10	1. 13	1. 15	1. 22
Net loss on bad debts	0. 17	0. 21	0. 30	0. 01	0. 36	0. 49
All other expenses	1. 88	2. 32	2. 08	2. 69	2. 05	2. 04
Total operating expenses	**26. 62**	**26. 07**	**24. 05**	**31. 33**	**25. 73**	**24. 93**
Net operating profit before provision for income tax	**0. 39**	**0. 97**	**2. 84**	**0. 06**[1]	**2. 63**	**1. 26**

1. Net operating loss.

TABLE 3. Independent Hardware Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	(Average per store)							
Assets								
Current assets:								
Cash on hand and in bank	2, 838	2, 945	2, 912	3, 242	2, 959	3, 054	7, 767	3, 425
Accounts and notes receivable (net)	2, 230	2, 744	2, 588	4, 912	6, 151	5, 732	16, 879	5, 048
Merchandise inventory	14, 195	14, 537	14, 434	17, 721	22, 289	20, 742	39, 935	19, 067
Other current assets	963	1, 323	1, 214	1, 154	1, 472	1, 364	677	1, 215
Total current assets	**20, 226**	**21, 549**	**21, 148**	**27, 029**	**32, 871**	**30, 892**	**65, 258**	**28, 755**
Fixed assets (net):								
Used in the business	7, 442	8, 029	7, 851	16, 532	11, 152	12, 975	12, 579	10, 087
Not used in the business	310	2, 507	1, 841	1, 240	1, 212	1, 221	322	1, 480
Total fixed assets (net)	**7, 752**	**10, 536**	**9, 692**	**17, 772**	**12, 364**	**14, 196**	**12, 901**	**11, 567**
Other assets:								
Long term investments	14	588	414	190	829	613	1, 739	610
Other assets	189	244	227	421	863	713	1, 912	557
Total other assets	**203**	**832**	**641**	**611**	**1, 692**	**1, 326**	**3, 651**	**1, 167**
Total assets	**28, 181**	**32, 917**	**31, 481**	**45, 412**	**46, 927**	**46, 414**	**81, 810**	**41, 489**
Liabilities								
Current liabilities:								
Accounts and notes payable	5, 065	2, 722	3, 431	7, 263	8, 984	8, 401	13, 551	6, 129
Fixed liabilities:								
Mortgages on fixed assets used in business	1, 758	1, 111	1, 307	3, 590	2, 086	2, 595	9, 165	2, 506
Mortgages on fixed assets not used in business	133	427	338	248	24	100	—	223
Total fixed liabilities	**1, 891**	**1, 538**	**1, 645**	**3, 838**	**2, 110**	**2, 695**	**9, 165**	**2, 729**
Other liabilities	259	707	571	768	637	682	2, 734	816
Total liabilities	**7, 215**	**4, 967**	**5, 647**	**11, 869**	**11, 731**	**11, 778**	**25, 450**	**9, 674**
Net worth: proprietor's or partners' equity in the business	20, 966	27, 950	25, 834	33, 543	35, 196	34, 636	56, 360	31, 815
Total liabilities and net worth	**28, 181**	**32, 917**	**31, 481**	**45, 412**	**46, 927**	**46, 414**	**81, 810**	**41, 489**
Average net sales of stores reporting	33, 802	35, 767	35, 172	65, 538	67, 643	66, 930	142, 882	56, 520
Number of stores reporting	30	69	99	21	41	62	17	178

TABLE 4. Independent Hardware Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(Average per store)									
Assets										
Current assets:										
Cash on hand and in bank	1,487	3,168	2,543	2,735	5,775	4,493	6,531	5,675	5,949	3,800
Accounts and notes receivable (net)	2,372	2,282	2,316	5,094	4,611	4,814	15,875	17,024	16,656	5,420
Merchandise inventory	14,635	13,474	13,906	25,112	22,896	23,831	40,903	43,048	42,362	21,969
Other current assets	684	914	828	46	1,736	1,023	124	1,732	1,218	962
Total current assets	**19,178**	**19,838**	**19,593**	**32,987**	**35,018**	**34,161**	**63,433**	**67,479**	**66,185**	**32,151**
Fixed assets (net):										
Used in the business	1,741	1,197	1,399	3,806	2,024	2,776	5,683	4,802	5,084	2,478
Not used in the business	200	1,471	999	200	1,484	942	738	494	572	913
Total fixed assets (net)	**1,941**	**2,668**	**2,398**	**4,006**	**3,508**	**3,718**	**6,421**	**5,296**	**5,656**	**3,391**
Other assets:										
Long term investments	—	274	172	370	581	492	763	4,057	3,003	718
Other assets	488	456	468	1,064	571	779	250	3,780	2,650	914
Total other assets	**488**	**730**	**640**	**1,434**	**1,152**	**1,271**	**1,013**	**7,837**	**5,653**	**1,632**
Total assets	**21,607**	**23,236**	**22,631**	**38,427**	**39,678**	**39,150**	**70,867**	**80,612**	**77,494**	**37,174**
Liabilities										
Current liabilities:										
Accounts and notes payable	4,760	4,348	4,501	9,170	8,085	8,542	15,531	12,907	13,747	7,434
Fixed liabilities:										
Mortgages on fixed assets used in business	1,842	177	797	2,768	804	1,633	1,125	1,843	1,613	1,239
Mortgages on fixed assets not used in business	5	135	86	—	—	—	—	—	—	40
Total fixed liabilities	**1,847**	**312**	**883**	**2,768**	**804**	**1,633**	**1,125**	**1,843**	**1,613**	**1,279**
Other liabilities	2,250	410	1,094	4,179	1,109	2,404	2,729	5,594	4,677	2,133
Total liabilities	**8,857**	**5,070**	**6,478**	**16,117**	**9,998**	**12,579**	**19,385**	**20,344**	**20,037**	**10,846**
Net worth: proprietor's or partners' equity in the business	12,750	18,166	16,153	22,310	29,680	26,571	51,482	60,268	57,457	26,328
Total liabilities and net worth	**21,607**	**23,236**	**22,631**	**38,427**	**39,678**	**39,150**	**70,867**	**80,612**	**77,494**	**37,174**
Average net sales of stores reporting	36,056	33,360	34,362	70,781	69,726	70,171	148,314	155,560	153,241	65,881
Number of stores reporting	29	49	78	27	37	64	8	17	25	167

TABLE 5. Independent Hardware Stores — Owned — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1954

Items	Stores with annual net sales of					Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999			$100,000 and over	
		Under 10 years	10 years and over	Total		
	(Average per store)					
Assets						
Current assets:						
Cash on hand and in bank	2,775	2,853	5,823	4,190	6,843	4,991
Accounts and notes receivable (net)	1,872	7,610	6,969	7,321	23,943	13,083
Merchandise inventory	16,355	22,732	28,097	25,146	51,476	34,239
Other current assets	1,454	192	2,082	1,042	3,742	2,261
Total current assets	**22,456**	**33,387**	**42,971**	**37,699**	**86,004**	**54,574**
Fixed assets (net):						
Used in the business	9,166	10,491	11,418	10,908	31,505	19,141
Not used in the business	—	1,950	4,282	3,000	2,471	2,124
Total fixed assets (net)	**9,166**	**12,441**	**15,700**	**13,908**	**33,976**	**21,265**
Other assets:						
Long term investments	225	—	—	—	245	152
Other assets	679	1,823	4,802	3,164	5,382	3,549
Total other assets	**904**	**1,823**	**4,802**	**3,164**	**5,627**	**3,701**
Total assets	**32,526**	**47,651**	**63,473**	**54,771**	**125,607**	**79,540**
Liabilities						
Current liabilities:						
Accounts and notes payable	4,207	11,453	9,318	10,492	20,629	13,360
Fixed liabilities:						
Mortgages on fixed assets used in business	1,233	2,521	966	1,822	7,313	3,990
Mortgages on fixed assets not used in business	—	—	1,289	580	—	211
Total fixed liabilities	**1,233**	**2,521**	**2,255**	**2,402**	**7,313**	**4,201**
Other liabilities	5,950	5,625	3,699	4,758	14,362	9,034
Total liabilities	**11,390**	**19,599**	**15,272**	**17,652**	**42,304**	**26,595**
Net worth:						
Capital stock	19,391	14,874	25,277	19,556	35,701	26,271
Surplus and undivided profits	1,745	13,178	22,924	17,563	47,602	26,674
Total net worth	**21,136**	**28,052**	**48,201**	**37,119**	**83,303**	**52,945**
Total liabilities and net worth	**32,526**	**47,651**	**63,473**	**54,771**	**125,607**	**79,540**
Average net sales of stores reporting	37,852	74,531	76,557	75,442	195,431	117,418
Number of stores reporting	12	11	9	20	23	55

TABLE 6. Independent Hardware Stores — Rented — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999	$50,000 — $99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(average per store)							
Assets								
Current assets:								
Cash on hand and in bank	2,055	2,475	1,649	2,047	8,906	5,564	6,877	4,009
Accounts and notes receivable (net)	2,281	5,242	5,408	5,328	11,567	14,947	13,619	8,074
Merchandise inventory	16,560	26,369	30,900	28,718	51,706	49,271	50,228	34,980
Other current assets	86	659	540	598	260	3,847	2,438	1,241
Total current assets	**20,982**	**34,745**	**38,497**	**36,691**	**72,439**	**73,629**	**73,162**	**48,304**
Fixed assets (net):								
Used in the business	2,150	2,687	2,321	2,497	3,924	7,982	6,388	4,005
Not used in the business	—	—	694	360	—	44	26	152
Total fixed assest (net)	**2,150**	**2,687**	**3,015**	**2,857**	**3,924**	**8,026**	**6,414**	**4,157**
Other assets:								
Long term investments	71	—	271	141	182	2,683	1,701	760
Other assets	1,174	6,093	689	3,290	3,623	2,214	2,767	2,648
Total other assets	**1,245**	**6,093**	**960**	**3,431**	**3,805**	**4,897**	**4,468**	**3,408**
Total assets	**24,377**	**43,525**	**42,472**	**42,979**	**80,168**	**86,552**	**84,044**	**55,869**
Liabilities								
Current liabilities:								
Accounts and notes payable	5,352	10,055	9,221	9,622	20,899	21,925	21,522	13,585
Fixed liabilities:								
Mortgages on fixed assets used in business	360	787	914	853	2,170	1,579	1,811	1,142
Mortgages on fixed assest not used in business	572	—	—	—	—	—	—	116
Total fixed liabilities	**932**	**787**	**914**	**853**	**2,170**	**1,579**	**1,811**	**1,258**
Other liabilities	1,610	4,203	4,362	4,286	7,855	11,014	9,773	5,969
Total liabilities	**7,894**	**15,045**	**14,497**	**14,761**	**30,924**	**34,518**	**33,106**	**20,812**
Net worth:								
Capital stock	11,582	19,054	16,647	17,806	35,676	23,235	28,123	20,730
Surplus and undivided profits	4,901	9,426	11,328	10,412	13,568	28,799	22,815	14,327
Total net worth	**16,483**	**28,480**	**27,975**	**28,218**	**49,244**	**52,034**	**50,938**	**35,057**
Total liabilities and net worth	**24,377**	**43,525**	**42,472**	**42,979**	**80,168**	**86,552**	**84,044**	**55,869**
Average net sales of stores reporting	35,252	69,283	68,515	68,885	161,214	168,978	165,928	101,441
Number of stores reporting	14	13	14	27	11	17	28	69

INDEPENDENT FURNITURE STORES

Only retail establishments selling mainly household furniture are covered in this report. Other items sold may include home furnishings, floor coverings, household appliances etc. but furniture should constitute at least 67% of total net sales.

Unincorporated and incorporated "single establishment" or "independent" firms only are covered. After careful editing, 183 questionnaires were used for the profit and loss tabulations of unincorporated stores (108 for owned and 75 for rented stores). The results of incorporated stores were derived from 108 properly completed questionnaires (22 for owned and 86 for rented stores).

Returns for which balance sheet data were used numbered 149 for unincorporated stores and 104 for incorporated firms. Any change in the actual count from survey to survey may be attributed to changes in store classification, stores going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stores is generally better than that from smaller ones. To obtain proper ratios for total trade, weights of the 1951 Census were used. For example in response to this survey, independent stores between $10,000 and $19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total furniture store sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales decreased for unincorporated stores from 27.76 per cent in 1952 to 26.88 per cent in 1954. With the exception of delivery expenses all the other operating expenses substantially increased, with a direct effect on the net operating profit. Incorporated store reports were not numerous enough to be effectively shown in 1952. Salaries of management, charged as operating expenses, account for the low net profit ratio of incorporated stores compared to unincorporated firms.

Inventories were at a lower level at the end of the year for both unincorporated and incorporated stores.

The rate of stock turnover generally increased with volume of business for owned and rented unincorporated stores and for both types of organization ranging from 1.51 to 3.86 times per year.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, chart and tables, will give more detail and information on operating results and financial position of independent furniture stores for 1954.

Operating Results of Independent Furniture Stores 1952 and 1954 compared

Profit and Loss Data	Unincorporated		Incorporated
	1952	1954	1954
	(per cent of net sales)		
Gross profit	**27.76**	**26.88**	**28.17**
Operating expenses:			
Employees' salaries	6.49	7.15	13.99
Occupancy	5.13	5.27	4.59
Delivery	2.82	2.00	1.94
Store supplies	0.42	0.46	0.42
Advertising	1.29	1.60	2.22
All other expenses	2.70	3.24	3.47
Total operating expenses	**18.85**	**19.72**	**26.63**
Net operating profit before deduction of income tax[1]	**8.91**	**7.16**	**1.54**

1. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Independent Furniture Stores as at December 31, 1948-50-52-54

Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio	1948	2.29	2.38	—	—
	1950	2.57	2.41	—	—
	1952	2.87	2.03	—	—
	1954	2.77	2.32	3.22	2.85
Liquidity ratio	1952	1.36	1.10	—	—
	1954	1.40	1.34	1.86	1.75
Working capital to net worth ratio	1948	0.58	0.95	—	—
	1950	0.64	0.92	—	—
	1952	0.63	0.82	—	—
	1954	0.66	0.88	0.93	0.99
Worth debt ratio	1948	1.69	1.28	—	—
	1950	1.72	1.35	—	—
	1952	2.24	1.07	—	—
	1954	1.87	1.19	1.21	1.41
Turnover of total capital employed	1952	1.26	1.57	—	—
	1954	1.40	1.60	1.34	1.82

Note: Ratio definitions are shown on page 6.

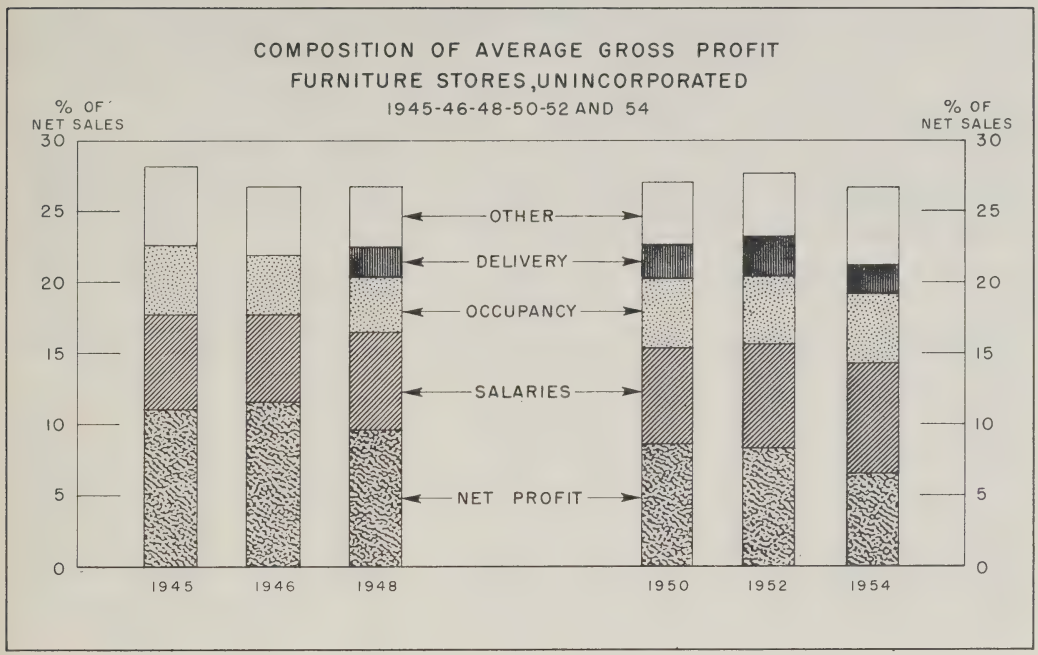


TABLE 7. Independent Furniture Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1954

Item	Owned stores with annual net sales of				Rented stores with annual net sales of		
	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	16	30	28	32	16	25	29
Average net sales per store $	15,237	33,932	75,853	176,849	32,291	69,556	190,593
Average beginning inventory $	6,555	11,349	21,997	40,193	8,488	19,047	38,793
Average inventory, end of year $	6,645	11,284	20,170	39,654	8,687	17,242	37,601
Average cost of goods sold $	9,952	24,322	55,952	129,922	23,350	51,373	140,275
Stock turnover (times per year)	1.51	2.15	2.65	3.25	2.72	2.83	3.67
Profit and Loss Data (percent of net sales)							
Gross Profit	**34.68**	**28.32**	**26.23**	**26.54**	**27.69**	**26.14**	**26.40**
Operating expenses:							
Employees' salaries and wages (except delivery)	6.60	6.57	5.54	8.37	3.94	6.19	9.60
Delivery	2.09	2.47	1.78	2.03	2.02	2.00	1.76
Occupancy expenses:							
Taxes	1.74	1.35	1.07	0.78	0.52	0.48	0.39
Insurance	1.26	1.07	0.68	0.69	0.83	0.64	0.59
Rent	—	—	—	—	5.24	3.44	2.50
Heat, light and power	1.85	1.58	0.96	0.74	0.75	0.81	0.58
Repairs and maintenance	0.96	0.88	0.55	0.75	0.50	0.43	0.48
Depreciation allowances	1.49	1.09	1.03	0.94	0.51	0.58	0.44
Total occupancy expenses	**7.30**	**5.97**	**4.29**	**3.90**	**8.35**	**6.38**	**4.98**
Office or store supplies	0.50	0.45	0.42	0.51	0.52	0.59	0.32
Advertising	0.71	1.32	1.41	2.07	1.13	1.34	1.78
Net loss on bad debts	0.14	0.49	0.44	1.01	0.49	0.64	0.48
All other expenses	2.90	2.85	2.74	3.19	1.67	2.18	2.17
Total operating expenses	**20.24**	**20.12**	**16.62**	**21.08**	**18.12**	**19.32**	**21.09**
Net operating profit before deduction of proprietors' salaries and income tax	**14.44**	**8.20**	**9.61**	**5.46**	**9.57**	**6.82**	**5.31**

TABLE 8. Independent Furniture Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1954

Item	Owned stores with annual net sales of $100,000 and over	Rented stores with annual net sales of $50,000-$99,999	Rented stores with annual net sales of $100,000 and over
Number of stores reporting	18	14	66
Average net sales per store $	226,993	71,560	281,688
Average beginning inventory $	54,255	20,008	54,938
Average inventory end of year $	52,092	21,458	51,209
Average cost of goods sold $	160,863	49,660	204,898
Stock turnover (times per year)	3.03	2.40	3.86
Profit and Loss Data (per cent of net sales)			
Gross profit	**29.13**	**30.60**	**27.26**
Operating expenses:			
Employees' salaries and wages (except delivery)	16.23	14.95	12.56
Delivery	1.85	2.75	1.68
Occupancy expenses:			
Taxes	0.62	0.48	0.42
Insurance	0.67	0.82	0.51
Rent	—	4.20	2.40
Heat, light and power	0.56	0.83	0.47
Repairs and maintenance	0.50	0.47	0.50
Depreciation allowances	1.00	0.91	0.39
Total occupancy expenses	**3.35**	**7.71**	**4.69**
Office or store supplies	0.44	0.41	0.39
Advertising	2.33	1.45	2.34
Net loss on bad debts	0.69	0.48	0.92
All other expenses	3.40	3.36	2.14
Total operating expenses	**28.29**	**31.11**	**24.72**
Net operating profit before provision for income tax	**0.84**	**0.51**[1]	**2.54**

1. Net operating loss.

TABLE 9. Independent Furniture Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of $20,000-$49,999			Stores with annual net sales of $50,000-$99,999			Stores with annual net sales of $100,000 and over	Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	(average per store)							
Asset								
Current assets:								
Cash on hand and in bank	3,830	1,982	2,480	1,749	7,368	4,960	2,973	3,477
Accounts and notes receivable (net)	5,229	5,363	5,327	14,135	13,349	13,686	39,504	20,545
Merchandise inventory	10,122	12,054	11,534	16,993	22,553	20,170	40,267	24,868
Other current assets	217	621	512	907	358	593	2,537	1,277
Total current assets	**19,398**	**20,020**	**19,853**	**33,784**	**43,628**	**39,409**	**85,281**	**50,157**
Fixed assets (net):								
Used in the business	8,528	9,406	9,169	18,062	13,932	15,702	30,297	19,027
Not used in the business	2,523	668	1,168	1,703	972	1,285	5,256	2,697
Total fixed assets (net)	**11,051**	**10,074**	**10,337**	**19,765**	**14,904**	**16,987**	**35,553**	**21,724**
Other assets:								
Long term investments	2,079	3,570	3,169	—	5,191	2,967	972	2,301
Other assets	—	—	—	61	1,344	794	146	315
Total other assets	**2,079**	**3,570**	**3,169**	**61**	**6,535**	**3,761**	**1,118**	**2,616**
Total assets	**32,528**	**33,664**	**33,359**	**53,610**	**65,067**	**60,157**	**121,952**	**74,497**
Liabilities								
Current liabilities:								
Accounts and notes payable	3,265	6,460	5,600	12,707	11,149	11,816	34,223	18,087
Fixed liabilities:								
Mortgages on real estate used in business	1,072	1,936	1,703	7,495	2,925	4,884	5,933	4,294
Mortgages on real estate not used in business	1,629	141	542	742	—	318	2,381	1,138
Total fixed liabilities	**2,701**	**2,077**	**2,245**	**8,237**	**2,925**	**5,202**	**8,314**	**5,432**
Other liabilities	540	637	611	2,581	63	1,143	5,152	2,442
Total liabilities	**6,506**	**9,174**	**8,456**	**23,525**	**14,137**	**18,161**	**47,689**	**25,961**
Net worth proprietor's or partners' equity in the business	26,022	24,490	24,903	30,085	50,930	41,996	74,263	48,536
Total liabilities and net worth	**32,528**	**33,664**	**33,359**	**53,610**	**65,067**	**60,157**	**121,952**	**74,497**
Average net sales of stores reporting	32,521	34,808	34,192	79,356	73,225	75,853	178,154	100,420
Number of stores reporting	7	19	26	12	16	28	31	85

TABLE 10. Independent Furniture Stores – Rented – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999	$50,000 – $99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(average per store)							
Current assets:								
Cash on hand and in Bank	1,118	1,822	1,838	1,830	3,141	9,599	6,618	3,620
Accounts and notes receivable (net)	6,732	17,680	15,533	16,517	53,317	39,806	46,042	26,371
Merchandise inventory	9,171	13,134	20,652	17,206	47,464	29,223	37,642	23,750
Other current assets	1,527	422	430	427	1,771	7,009	4,592	2,359
Total current assets	**18,548**	**33,058**	**38,453**	**35,980**	**105,693**	**85,637**	**94,894**	**56,100**
Fixed assets (net):								
Used in the business	2,605	1,942	4,212	3,172	5,638	8,736	7,306	4,727
Not used in the business	88	15	4,098	2,227	329	698	528	1,069
Total fixed assets (net)	**2,693**	**1,957**	**8,310**	**5,399**	**5,967**	**9,434**	**7,834**	**5,796**
Other assets:								
Long term investments	695	–	101	55	12,337	182	5,792	2,526
Other assets	64	45	1,234	689	12,285	51	5,697	2,587
Total other assets	**759**	**45**	**1,335**	**744**	**24,622**	**233**	**11,489**	**5,113**
Total assets	**22,000**	**35,060**	**48,098**	**42,123**	**136,282**	**95,304**	**114,217**	**67,009**
Liabilities								
Current liabilities:								
Accounts and notes payable	5,398	11,017	15,623	13,512	68,592	23,214	44,158	24,187
Fixed liabilities:								
Mortgages on fixed assets used in business	–	634	4,087	2,504	500	1,108	827	1,275
Mortgages on fixed assets not used in business	–	–	1,538	833	1,939	2,080	2,015	1,131
Total fixed liabilities	–	634	5,625	3,337	2,439	3,188	2,842	2,406
Other liabilities	1,795	3,523	2,483	2,960	4,446	7,702	6,199	4,021
Total liabilities	**7,193**	**15,174**	**23,731**	**19,809**	**75,477**	**34,104**	**53,199**	**30,614**
Net worth proprietor's or partners' equity in the business	14,807	19,886	24,367	22,314	60,805	61,200	61,018	36,395
Total liabilities and net worth	**22,000**	**35,060**	**48,098**	**42,123**	**136,282**	**95,304**	**114,217**	**67,009**
Average net sales of stores reporting	33,592	66,857	71,911	69,595	197,871	161,133	178,089	105,795
Number of stores reporting	14	11	13	24	12	14	26	64

TABLE 11. Independent Furnitures Stores – Owned – Financial Structure of Incorporated Stores by Size and Age of Business

Item	Annual net sales of			Total all sizes $20,000 and over
	$100,000 and Over			
	Under 10 years	10 years and over	Total	
Assets	(average per store)			
Current assets:				
Cash on hand and in bank	8,809	5,008	6,573	6,410
Accounts and notes receivable (net)	42,859	73,794	61,056	52,223
Merchandise inventory	46,981	55,684	52,101	46,069
Other current assets	1,171	6,571	4,347	4,703
Total current assets	**99,820**	**141,057**	**124,077**	**109,405**
Fixed assets (net):				
Used in the business	48,720	30,068	37,748	33,595
Not used in the business	4,736	620	2,315	1,874
Total fixed assets (net)	**53,456**	**30,688**	**40,063**	**35,469**
Other assets:				
Long term investments	816	424	585	474
Other assets	4,363	3,269	3,720	3,417
Total other assets	**5,179**	**3,693**	**4,305**	**3,891**
Total assets	**158,455**	**175,438**	**168,445**	**148,765**
Liabilities				
Current liabilities:				
Accounts and notes payable	43,092	34,171	37,844	34,027
Fixed liabilities:				
Mortgages on fixed assets used in business	23,269	8,402	14,524	12,201
Mortgages on fixed assets not used in business	972	7,650	4,900	3,967
Total fixed liabilities	**24,241**	**16,052**	**19,424**	**16,168**
Other liabilities	16,133	24,218	20,889	17,182
Total liabilities	**83,466**	**74,441**	**78,157**	**67,377**
Net worth:				
Capital stock	50,200	42,055	45,409	40,107
Surplus and undivided profits	24,789	58,942	44,879	41,281
Total net worth	**74,989**	**100,997**	**90,288**	**81,388**
Total liabilities and net worth	**158,455**	**175,438**	**168,445**	**148,765**
Average net sales of stores reporting	155,007	269,522	222,368	196,407
Number of stores reporting	7	10	17	21

TABLE 12. Independent Furniture Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1954

Item	Annual net sales of				Total all sizes $20,000 and over
	$50,000-$99,999	$100,000 and Over			
		Under 10 Years	10 years and over	Total	
	(average per store)				
Assets					
Current assets:					
Cash on hand and in bank	881	5,636	9,633	7,793	6,128
Accounts and notes receivable	17,913	46,506	95,912	73,170	59,159
Merchandise inventory	21,487	36,399	65,524	52,117	43,915
Other current assets	777	2,890	8,783	6,070	4,752
Total current assets	**41,058**	**91,431**	**179,852**	**139,150**	**113,954**
Fixed assets (net):					
Used in the business	2,914	4,418	12,426	8,740	7,189
Not used in the business	80	338	44	179	175
Total fixes assets (net)	**2,994**	**4,756**	**12,470**	**8,919**	**7,364**
Other assets:					
Long term investments	–	22	3,101	1,684	1,470
Other assets	5,834	6,745	4,564	5,568	5,320
Total other assets	**5,834**	**6,767**	**7,665**	**7,252**	**6,790**
Total assets	**49,886**	**102,954**	**199,987**	**155,321**	**128,108**
Liabilities					
Current liabilities:					
Accounts and notes payable	16,507	41,019	54,709	48,407	40,029
Fixed liabilities:					
Mortgages on fixed assets used in business	1,993	263	996	658	900
Mortgages on fixed assets not used in business	2,887	–	–	–	487
Total fixed liabilities	**4,880**	**263**	**996**	**658**	**1,387**
Other liabilities	7,565	14,762	12,356	13,464	11,832
Total liabilities	**28,952**	**56,044**	**68,061**	**62,529**	**53,248**
Net worth:					
Capital stock	15,752	29,697	69,940	51,416	42,479
Surplus and undivided profits	5,182	17,213	61,986	41,376	32,381
Total net worth	**20,934**	**46,910**	**131,926**	**92,792**	**74,860**
Total liabilities and net worth	**49,886**	**102,954**	**199,987**	**155,321**	**128,108**
Average net sales of stores reporting	71,560	205,139	357,936	287,601	232,973
Number of stores reporting	14	29	34	63	83

INDEPENDENT HOUSEHOLD APPLIANCE, RADIO AND TELEVISION STORES

Only retail establishments selling mainly household appliances, either gas or electric, radio and television sets are covered in this report. Other items sold may include furniture and home furnishings but these should be sold only in minor quantities.

Unincorporated and incorporated "single establishment" or "independent" firms only are covered. After careful editing, 143 questionnaires were used for the profit and loss tabulations of unincorporated stores (70 for owned and 73 for rented stores). The results of incorporated stores were derived from 63 properly completed questionnaires from rented stores.

Returns for which balance sheet data were used numbered 114 for unincorporated stores and 62 for incorporated firms. Any change in the actual count from survey to survey may be attributed to changes in store classification, stores going out of business, the necessity of augmenting the survey list or simply to different non-response in the survey years.

Tabulation of balance sheet data was made on a sales-size range basis and, where possible, a further breakdown by number of years in business.

Compilation of profit and loss data was made for different sales-size categories. The response from large stores is generally better than that from smaller ones. To obtain proper ratios for total trade weights of the 1951 census were used. For example in response to this survey, independent stores between $10,000 and $19,999 may represent 5% of the business done by all respondents. According to the 1951 census, they might account for approximately 11% of total household appliance, radio and television store sales. To obtain ratios for total all sizes, the census weights were applied to the various expense and profit ratios of the different sales-size classes.

The summary chart does not show weighted ratios; for sake of comparability with previous years for which weights are not available, aggregate or unweighted ratios were used.

The average gross profit expressed as a percentage of average net sales decreased in 1954 to 26.07 per cent from 26.72 per cent in 1952. This, coupled with a fair increase in operating expenses helped to produce a sizeable drop in net operating profit for 1954 (6.61 per cent compared with 8.33 per cent in 1952). Too few respondents in 1952 prevented publication of incorporated store data. For the same reason owned store data are not shown for 1954. Salaries of management, charged as operating expenses, account for the low net profit ratio of incorporated stores compared to unincorporated firms.

Unincorporated store inventories at the end of the year were slightly higher than at the beginning. A breakdown for owned stores showed a decrease that was offset by increases in rented stores with the overall result stated previously. Incorporated rented store inventories at the end of the year were at a lower level than at the beginning.

The rate of stock turnover generally increased with sales sizes for both kinds of organization ranging from 1.89 to 6.88 times per year.

Balance sheet ratios are shown historically, affording valuable comparison for further study.

The following summaries, chart and tables, will give more detail and information on operating results and financial position of independent household appliance, radio and television stores for 1954.

Operating Results of Independent Household Appliance, Radio and Television Stores 1952 and 1954 Compared

Profit and less data	Unincorporated		Incorporated [1]
	1952	1954	1954
	(per cent of net sales)		
Gross profit	**26.72**	**26.07**	**26.35**
Operating expenses:			
Employees' salaries	8.51	8.86	13.98
Occupancy	3.90	4.18	3.70
Delivery	1.95	2.06	1.66
Store supplies	0.35	0.53	0.52
Advertising	1.54	1.46	2.33
All other expenses	2.14	2.37	2.42
Total operating expenses	**18.39**	**19.46**	**24.61**
Net operating profit before deduction of income tax [2]	**8.33**	**6.61**	**1.74**

1. Covers only rented stores.
2. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores and are shown here for the first time. They do not agree with ratios shown formerly for 1952 nor with those shown in historical tables.

Financial Ratios of Independent Household Appliance, Radio and Television Stores as at December 31, 1948-50-52-54

Item		Unincorporated		Incorporated
		Owned	Rented	Rented
Current ratio	1948	1.95	2.45	—
	1950	1.98	2.55	—
	1952	2.60	2.01	—
	1954	2.09	2.13	1.91
Liquidity ratio	1952	1.25	1.08	—
	1954	1.20	1.12	1.17
Working capital to net worth ratio	1948	0.53	0.81	—
	1950	0.55	0.84	—
	1952	0.61	0.87	—
	1954	0.59	0.97	0.88
Worth debt ratio	1948	1.25	1.69	—
	1950	1.32	1.64	—
	1952	1.94	1.07	—
	1954	1.26	0.90	0.83
Turnover of total capital employed	1952	1.70	2.46	—
	1954	1.90	2.52	2.22

Note: Ratio definitions are shown on page 6.

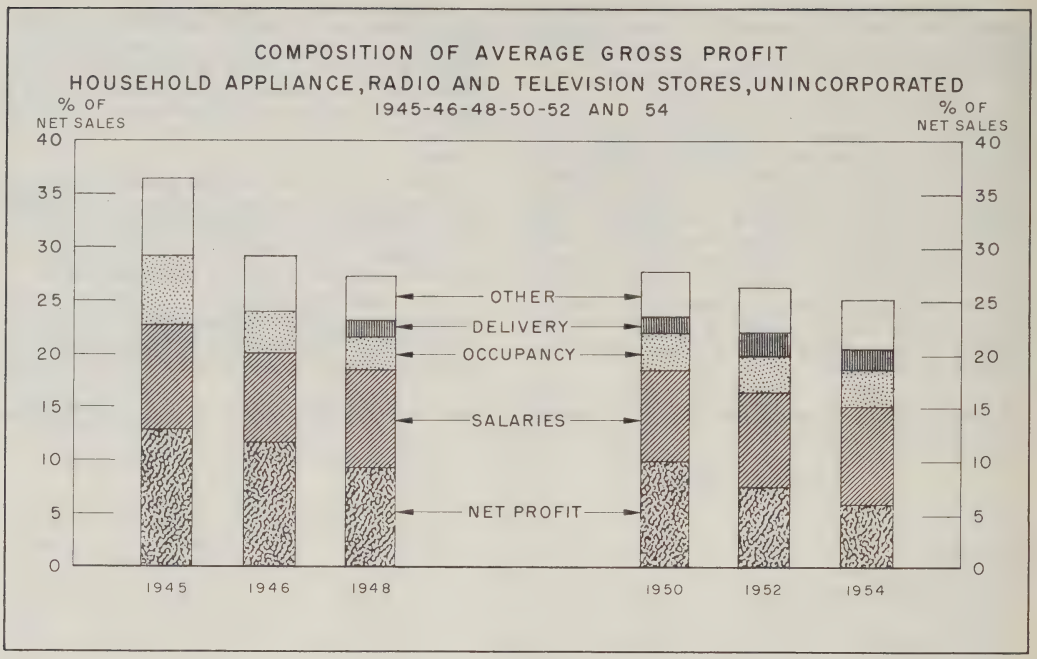


TABLE 13. Independent Household Appliance, Radio and Television Stores – Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1954

Item	Owned stores with annual net sales of				Rented stores with annual net sales of			
	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	16	16	16	19	9	16	22	25
Average net sales per store $	15,946	32,341	68,299	188,821	16,867	34,373	72,903	206,737
Average beginning inventory $	4,453	10,539	17,570	21,431	6,473	6,287	14,035	27,109
Average inventory, end of year $	4,335	8,951	16,112	20,170	6,848	6,705	15,357	30,383
Average cost of goods sold $	11,655	24,524	50,380	143,192	12,579	23,815	50,938	158,165
Stock turnover (times per year)	2.65	2.52	2.99	6.88	1.89	3.67	3.47	5.50
Profit and Loss Data (Per cent of net sales)								
Gross profit	**26.91**	**24.17**	**26.23**	**24.17**	**25.42**	**30.71**	**30.13**	**23.49**
Operating expenses:								
Employees' salaries and wages (except delivery)	3.58	8.07	10.10	9.42	2.81	9.41	11.11	8.77
Delivery	1.80	2.03	1.61	2.14	2.16	2.55	1.90	2.08
Occupancy expenses:								
Taxes	1.74	0.81	0.74	0.38	0.28	0.48	0.27	0.20
Insurance	0.87	0.71	0.69	0.47	0.53	0.58	0.44	0.30
Rent	–	–	–	–	3.83	2.91	2.07	1.41
Heat, light and power	1.61	1.52	0.68	0.46	1.16	0.67	0.53	0.31
Repairs and maintenance	0.86	0.62	0.63	0.47	0.39	0.54	0.38	0.30
Depreciation allowances	1.40	1.04	1.13	0.87	1.94	0.39	0.72	0.38
Total occupancy expenses	**6.48**	**4.70**	**3.87**	**2.65**	**8.13**	**5.57**	**4.41**	**2.90**
Office or store supplies	1.18	0.64	0.44	0.42	0.90	0.70	0.50	0.30
Advertising	0.96	0.97	1.35	1.25	0.61	0.76	1.75	2.47
Net loss on bad debts	0.11	0.18	0.34	0.34	0.02	0.09	0.16	0.41
All other expenses	3.24	2.26	2.10	1.98	2.18	2.82	1.47	1.88
Total operating expenses	**17.35**	**18.85**	**19.81**	**18.20**	**16.81**	**21.90**	**21.30**	**18.81**
Net operating profit before deduction of proprietors' salaries and income tax	**9.56**	**5.32**	**6.42**	**5.97**	**8.61**	**8.81**	**8.83**	**4.68**

TABLE 14. Independent Household Appliance, Radio and Television Stores — Operating Results of Rented Incorporated Stores by Annual Sales Volume, 1954

Item	Rented stores with annual net sales of	
	$50,000-$99,999	$100,000 and over
Number of stores reporting	17	41
Average net sales per store $	71,151	292,790
Average beginning inventory $	14,981	42,760
Average inventory end of year $	13,744	40,869
Average cost of goods sold $	51,896	215,966
Stock turnover (times per year)	3.61	5.16
Profit and Loss Data (per cent of net sales)		
Gross profit	**27.06**	**26.24**
Operating expenses:		
Employees' salaries and wages (except delivery)	14.28	13.66
Delivery	1.78	1.67
Occupancy expenses:		
Taxes	0.22	0.17
Insurance	0.46	0.39
Rent	3.12	1.43
Heat, light and power	0.59	0.33
Repairs and maintenance	0.16	0.40
Depreciation allowances	0.37	0.46
Total occupancy expenses	**4.92**	**3.18**
Office or store supplies	0.55	0.50
Advertising	2.28	2.40
Net loss on bad debts	0.54	0.44
All other expenses	2.46	1.86
Total operating expenses	**26.81**	**23.71**
Net operating profit before provision for income tax	**0.25**	**2.53**

TABLE 15. Independent Household Appliance, Radio and Television Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets	(average per store)							
Current assets:								
Cash on hand and in bank	1,661	5,761	3,712	2,236	4,225	3,355	3,888	3,665
Accounts and notes receivable (net)	3,967	7,309	5,638	8,470	8,865	8,692	28,114	14,970
Merchandise inventory	7,717	10,245	8,981	12,949	18,797	16,238	19,460	15,162
Other current assets	9	502	255	1,792	860	1,268	3,844	1,910
Total current assets	**13,354**	**23,817**	**18,586**	**25,447**	**32,747**	**29,553**	**55,306**	**35,707**
Fixed assets (net):								
Used in the business	3,929	13,356	8,643	15,402	11,164	13,018	22,599	15,215
Not used in the business	2,000	225	1,112	2,717	9,920	6,769	342	2,600
Total fixed assets (net)	**5,929**	**13,581**	**9,755**	**18,119**	**21,084**	**19,787**	**22,941**	**17,815**
Other assets:								
Long term investments	1,935	9,834	5,884	1,016	—	444	—	1,985
Other assets	396	—	198	17	—	7	1,861	758
Total other assets	**2,331**	**9,834**	**6,082**	**1,033**	**—**	**451**	**1,861**	**2,743**
Total assets	**21,614**	**47,232**	**34,423**	**44,599**	**53,831**	**49,791**	**80,108**	**56,265**
Liabilities								
Current liabilities:								
Accounts and notes payable	4,255	4,473	4,364	13,510	14,673	14,164	30,246	17,082
Fixed liabilities:								
Mortgages on fixed assets used in business	1,314	1,625	1,469	8,186	2,758	5,133	7,378	4,820
Mortgages on fixed assets not used in business	—	—	—	—	2,551	1,435	237	538
Total fixed liabilities	**1,314**	**1,625**	**1,469**	**8,186**	**5,309**	**6,568**	**7,615**	**5,358**
Other liabilities	88	1,702	895	2,348	361	1,231	4,846	2,472
Total liabilities	**5,657**	**7,800**	**6,728**	**24,044**	**20,343**	**21,963**	**42,707**	**24,912**
Net worth: proprietor's or partners' equity in the business	15,957	39,432	27,695	20,555	33,488	27,828	37,401	31,353
Total liabilities and net worth	**21,614**	**47,232**	**34,423**	**44,599**	**53,831**	**49,791**	**80,108**	**56,265**
Average net sales of stores reporting	28,534	36,149	32,341	57,353	77,035	68,424	188,821	101,958
Number of stores reporting	8	8	16	7	9	16	19	51

TABLE 16. Independent Household Appliance, Radio and Television Stores – Rented – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of									Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(average per store)									
Assets										
Current assets:										
Cash on hand and in bank	1,366	1,510	1,447	2,903	4,271	3,649	4,665	1,870	3,547	3,049
Accounts and notes receivable (net)	2,437	3,445	3,004	6,301	8,077	7,269	26,228	46,082	34,170	16,861
Merchandise inventory	5,725	6,770	6,313	15,450	15,279	15,357	33,716	25,385	30,383	19,023
Other current assets	714	174	410	23	2,735	1,502	1,740	1,710	1,728	1,315
Total current assets	**10,242**	**11,899**	**11,174**	**24,677**	**30,362**	**27,777**	**66,349**	**75,047**	**69,828**	**40,248**
Fixed assets (net):										
Used in the business	2,894	1,622	2,178	3,591	2,308	2,891	11,291	4,481	8,567	4,963
Not used in the business	2,693	–	1,178	–	–	–	110	–	66	325
Total fixed assets (net)	**5,587**	**1,622**	**3,356**	**3,591**	**2,308**	**2,891**	**11,401**	**4,481**	**8,633**	**5,288**
Other assets:										
Long term investments	201	–	88	–	42	23	2,591	–	1,555	647
Other assets	–	3	2	226	292	262	594	169	424	260
Total other assets	**201**	**3**	**90**	**226**	**334**	**285**	**3,185**	**169**	**1,979**	**907**
Total assets	**16,030**	**13,524**	**14,620**	**28,494**	**33,004**	**30,953**	**80,935**	**79,697**	**80,440**	**46,443**
Liabilities										
Current liabilities:										
Accounts and notes payable	5,982	5,764	5,859	8,094	9,566	8,897	40,096	29,880	36,009	18,885
Fixed liabilities:										
Mortgages on fixed assets used in business	–	–	–	–	496	270	2,837	1,737	2,397	1,046
Mortgages on fixed assets not used in business	200	–	88	–	–	–	–	600	240	117
Total fixed liabilities	**200**	**–**	**88**	**–**	**496**	**270**	**2,837**	**2,337**	**2,637**	**1,163**
Other liabilities	143	587	393	2,732	2,250	2,469	6,909	11,517	8,752	4,435
Total liabilities	**6,325**	**6,351**	**6,340**	**10,826**	**12,312**	**11,636**	**49,842**	**43,734**	**47,398**	**24,483**
Net worth: proprietor's or partners' equity in the business	9,705	7,173	8,280	17,668	20,692	19,317	31,093	35,963	33,042	21,960
Total liabilities and net worth	**16,030**	**13,524**	**14,620**	**28,494**	**33,004**	**30,953**	**80,935**	**79,697**	**80,440**	**46,443**
Average net sales of stores reporting	32,750	35,636	34,373	71,342	74,204	72,903	211,533	199,544	206,737	116,226
Number of stores reporting	7	9	16	10	12	22	15	10	25	63

TABLE 17. Independent Household Appliance, Radio and Television Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1954

Item	Stores with annual net sales of				Total all sizes $20,000 and over
	$50,000-$99,999	$100,000 and over			
		Under 10 years	10 years and over	Total	
	(average per store)				
Assets					
Current assets:					
Cash on hand and in bank	2,003	4,300	11,133	6,179	4,655
Accounts and notes receivable (net)	9,980	69,326	45,684	62,824	43,553
Merchandise inventory	13,744	36,823	53,417	41,387	31,242
Other current assets	938	2,078	516	1,648	1,386
Total current assets	**26,665**	**112,527**	**110,750**	**112,038**	**80,836**
Fixed assets (net):					
Used in the business	2,808	8,538	7,344	8,210	6,191
Not used in the business	198	786	139	608	447
Total fixed assets (net)	**3,006**	**9,324**	**7,483**	**8,818**	**6,638**
Other assets:					
Long term investments	78	3,143	548	2,429	1,589
Other assets	3,218	11,815	4,372	9,768	7,333
Total other assets	**3,296**	**14,958**	**4,920**	**12,197**	**8,922**
Total assets	**32,967**	**136,809**	**123,153**	**133,053**	**96,396**

TABLE 17. Independent Household Appliance, Radio and Television Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1954 – Concluded

Item	Stores with annual net sales of				Total all sizes $20,000 and over
	$50,000-$99,999	$100,000 and over			
		Under 10 years	10 years and over	Total	
	(average per store)				
Liabilities					
Current liabilities:					
Accounts and notes payable	14,687	64,485	43,778	58,791	42,241
Fixed liabilities:					
Mortgages on fixed assets used in business	594	432	364	413	473
Mortgages on fixed assets not used in business	132	–	–	–	36
Total fixed liabilities	**726**	**432**	**364**	**413**	**509**
Other liabilities	1,978	10,782	23,766	14,352	9,870
Total liabilities	**17,391**	**75,699**	**67,908**	**73,556**	**52,620**
Net worth:					
Capital stock	14,306	24,181	24,775	24,344	20,943
Surplus and undivided profits	1,270	36,929	30,470	35,153	22,833
Total net worth	**15,576**	**61,110**	**55,245**	**59,497**	**43,776**
Total liabilities and net worth	**32,967**	**136,809**	**123,153**	**133,053**	**96,396**
Average net sales of stores reporting	71,151	294,392	299,342	295,753	213,229
Number of stores reporting	17	29	11	40	62

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES

1956

(Independent)

Canada
Hardware, furniture, appliance, radio and television chain stores; (independent) operating results

Published by Authority of
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NOTICE

The annual reports prepared by the Industry and Merchandising Division of the Bureau of Statistics are divided into 3 volumes, as follows: **Volume I** — The Primary Industries, including mining, forestry and fisheries; **Volume II** — Manufacturing; **Volume III** — Merchandising and Services.

Volume III consists of the following parts with individual trade reports listed under each:

Part I — Wholesale Statistics

A — Wholesale Trade, 25¢
*B — Operating Results of Food Wholesalers, 25¢
*C — Operating Results of Dry Goods, Piece Goods and Footwear Wholesalers, 25¢
*D — 1 Operating Results of Automotive Parts and Accessories Wholesalers, 25¢
2 Operating Results of Drug Wholesalers, 25¢
3 Operating Results of Hardware Wholesalers, 25¢
4 Operating Results of Plumbing and Heating Supply Wholesalers, 25¢
5 Operating Results of Household Appliance & Electrical Supply Wholesalers, 25¢

Part II — Retail Statistics

F — Retail Trade, 50¢
G — Retail Chain Stores, 50¢
*H — Operating Results of Food Store Chains, 25¢
* I — Operating Results of Clothing Store Chains, 25¢
* J — 1 Operating Results of Variety Store Chains, 25¢
2 Operating Results of Drug Store Chains, 25¢
3 Operating Results of Furniture Store Chains, 25¢
K — Operating Results of Independent Food Stores, 25¢
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M — Operating Results of Independent Hardware, Furniture, Appliance, Radio and Television Stores, 25¢
N — Operating Results of Filling Stations and Garages, 25¢
O — 1 Operating Results of Independent General Stores, 25¢
2 Operating Results of Independent Restaurants, 25¢
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4 Operating Results of Independent Drug Stores, 25¢
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6 Operating Results of Independent Tobacco Stores, 25¢
P — Retail Credit, 25¢

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S — Hotels, 25¢
T — Sales Financing, 25¢
U — Farm Implement and Equipment Sales, 25¢
V — New Motor Vehicle Sales and Motor Vehicle Financing, 25¢
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X — Motion Picture Production (Memorandum), 10¢

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1956.

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DEFINITIONS

Profit and Loss

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases – are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses: duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" (in unincorporated store operations).

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.), and amount paid for contract delivery.

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – Payments for use of business premises, including rentals of warehouses and garages, etc.

Heat, light and power – cost applicable to year's operations.

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation allowances – provision for decrease in the value of fixed store assets.

Office and store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income – interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense – interest expense, rental expense, any other expenses not pertaining to the business.

DEFINITIONS

Balance Sheet

Assets

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth

Current liabilities – are obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

– Incorporated business – net worth is shown in two parts:

(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and

(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

DEFINITIONS

Profit and Loss Statement Ratios

Stock Turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross Profit Ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating Expense Ratios – Each item of expense, as well as "total operating expenses" when expressed as percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net Operating Profit Ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowance for both proprietors' salaries and income tax should be deducted in order to determine the percentage to sales of net returns on capital investment.

Balance Sheet Ratios

Current Ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivables) can result in a strong or more favourable ratio.

Liquidity Ratio – Current Assets less Merchandise Inventory ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working Capital to Net Worth Ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-Debt Ratio – Net Worth ÷ Total Liabilities – If used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of Total Capital Employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES, 1956

(Independent)

INTRODUCTION

This report on operating results and financial structure presents information in the form of averages and ratios as a guide to retail store operators for the trades covered here. These ratios are the "average" of a broad range of operational efficiency, and as such do not represent top performance guides. However, used with this in mind, they show a standard by which business men can compare their own operating experiences. The pattern of expense and financial ratios, by size and kind of business, permit direct analysis of operating results for the year.

There is growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Dominion Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown much interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

The new owner of a retail store or the prospective operator might well study these averages. Not all failures in business, however, come from the "new-owner" group. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and that provision be made to check against some such standard performance as these publications provide.

The following kinds of retail business are presented in this report:

1. Hardware stores
2. Furniture stores
3. Household appliance, radio and television stores.

There are analyses of:

1. Profit and loss statements
2. Balance sheet statements

Profit and loss data are shown for owned and rented stores separately, and for various sale-size categories. This 1956 report, for the first time, shows information on "other income" and "other expense". The segregation of these items improves the quality of the ratios for net operating profit in that there is little chance of a "net" of these two items being included in operating profit.

Balance sheet data, which was introduced in 1948, are continued in this 1956 study. This information is presented by sales-size and kind of occupancy groups for stores with $20,000 or more annual net sales. Where possible, a further differentiation has been made between businesses in operation less than 10 years and 10 years or more. An important change, introduced in 1950, is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between assets used in the business and sales than was possible when all fixed assets of the proprietor were reported as one item.

INDEPENDENT HARDWARE STORES

This survey of independent hardware stores includes only establishments selling mainly typical hardware lines such as builders' or shelf hardware, carpenters' and mechanics' tools, etc. Paints and varnishes in appreciable quantities may be carried along with household and electrical appliances, radios and televisions etc. Service operation receipts should not exceed 50% of the total trade.

Information for unincorporated and incorporated businesses is presented under separate tabulations covering profit and loss and balance sheet ratios and data. Reports used for the publication of profit and loss ratios numbered 452 for unincorporated and 153 for incorporated establishments. A smaller number of balance sheet reports were used, due mostly to the fact that stores of the two smallest sales sizes were not requested to supply such information. Results are shown by sales sizes and, where possible a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales size ratios were combined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size stores so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large store operation. The use of weighting gives proper importance to small store operations so that the ratios shown in the summary table 2 more truly represent the trade total.

Both unincorporated and incorporated stores operated on lower gross profit ratios in 1956 than they did in 1954. Total operating expenses were much lower in relation to net sales than the marginal profit, with a resulting improvement in net operating profits. Stores operated as proprietorships or partnerships increased their net profit from 9.00% in 1954 to 9.36%. Incorporated stores showed a substantial gain in net profit from 2.00% to 3.08% in 1956.

TABLE 1. Independent Hardware Stores — Balance Sheet Ratios as at December 31

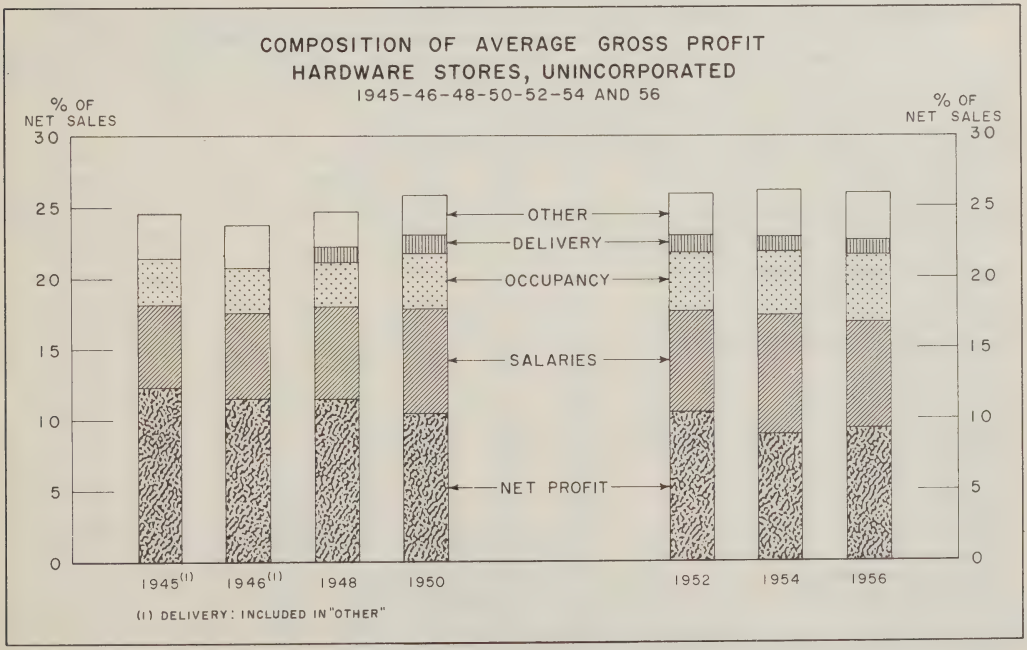
Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio	1948	4.30	4.08	3.76	3.08
	1950	4.79	4.03	3.65	3.02
	1952	4.65	4.55	3.72	3.68
	1954	4.69	4.32	4.08	3.55
	1956	5.01	4.25	4.99	4.44
Liquidity ratio	1952	1.61	1,55	1.46	1.01
	1954	1.58	1.37	1.52	0.98
	1956	1.88	1.24	1.98	1.34
Working capital to net worth ratio	1948	0.71	0.91	0.76	0.87
	1950	0.72	0.90	0.78	0.90
	1952	0.76	0.87	0.68	0.89
	1954	0.71	0.94	0.78	0.99
	1956	0.71	0.93	0.81	1.15
Worth debt ratio	1948	3.45	2.94	2.38	2.04
	1950	3.33	2.50	1.79	1.85
	1952	3.26	2.95	2.71	2.33
	1954	3.29	2.43	1.99	1.68
	1956	3.12	2.25	2.05	1.41
Turnover of total capital employed	1952	1.48	2.04	1.39	1.96
	1954	1.41	1.82	1.52	1.82
	1956	1.29	1.90	1.34	1.87

Note: Ratio definitions are shown on page 6.

TABLE 2. Operating Results of Independent Hardware Stores 1954 and 1956 compared

Profit and loss data	Unincorporated		Incorporated	
	1954	1956	1954	1956
	(per cent of net sales)			
Gross profit	**25.83**	**25.79**	**26.97**	**26.92**
Operating expenses:				
Employees' salaries	8.09	7.26	15.70	14.38
Occupancy	4.52	4.72	4.14	4.17
Delivery	1.09	1.12	1.08	1.15
Office and store supplies	0.46	0.38	0.51	0.46
Advertising	0.69	0.73	1.11	1.07
All other expenses	1.98	2.22	2.43	2.61
Total operating expenses	**16.83**	**16.43**	**24.97**	**23.84**
Net operating profit before deduction of income tax[1]	**9.00**	**9.36**	**2.00**	**3.08**

1. Proprietors' salaries included for unincorporated stores.
Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores. They do not agree with ratios shown in historical tables.



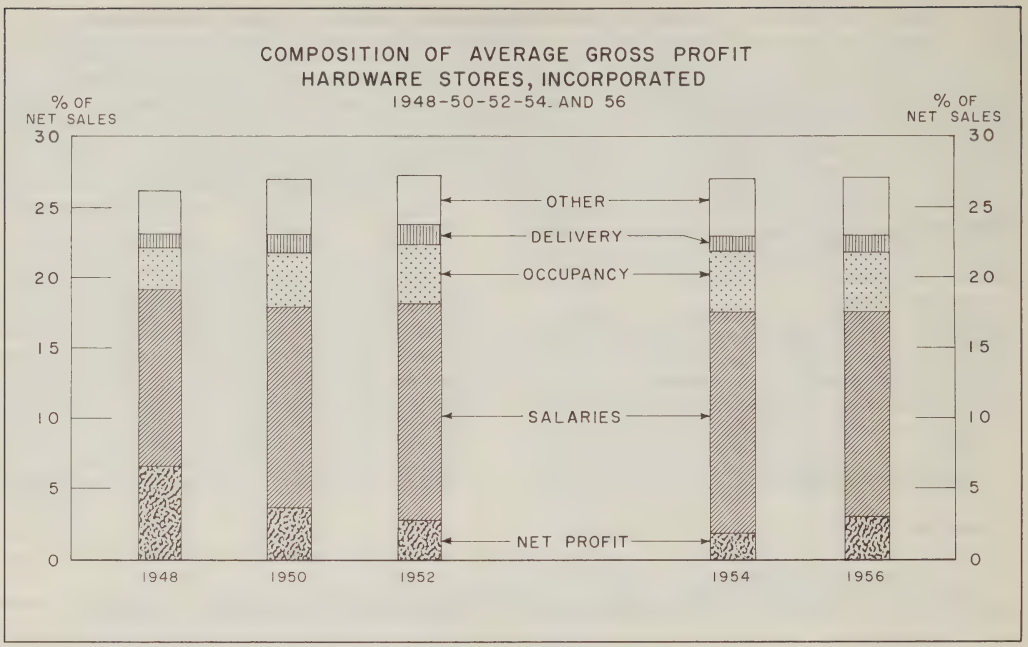


TABLE 3. Independent Hardware Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of					Rented stores with annual net sales of			
	Under $10,000	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	11	40	104	67	22	20	91	64	29
Average net sales per store $	6,533	15,695	34,720	65,746	134,745	15,741	34,728	69,246	145,486
Average beginning inventory $	6,175	8,638	13,840	20,903	34,368	7,816	12,757	23,365	38,970
Average inventory, end of year $	6,446	8,515	14,179	21,734	36,713	7,849	13,164	23,977	39,994
Average cost of goods sold $	4,702	11,693	25,874	49,295	102,122	11,269	24,490	50,176	109,889
Stock turnover (times per year)	0.74	1.36	1.85	2.31	2.87	1.44	1.89	2.12	2.78
Profit and Loss Data (Per cent of net sales)									
Gross profit	**28.01**	**25.49**	**25.47**	**25.02**	**24.21**	**28.41**	**29.48**	**27.54**	**24.47**
Operating expenses:									
Executives' and employees' salaries and wages etc. (except delivery)	1.98	2.07	5.86	7.09	9.34	3.02	6.28	8.43	9.26
Delivery	0.75	1.08	0.95	1.07	1.30	0.83	1.22	1.17	1.15
Occupancy expenses:									
Taxes	3.41	1.90	1.16	0.88	0.66	0.77	0.55	0.35	0.27
Insurance	1.22	1.05	0.79	0.69	0.46	0.78	0.68	0.50	0.43
Rent	—	—	—	—	—	6.47	3.36	2.64	1.82
Heat, light and power	2.71	2.16	1.15	0.76	0.53	1.20	0.96	0.61	0.48
Repairs and maintenance	0.63	0.83	0.55	0.44	0.38	0.27	0.41	0.37	0.20
Depreciation allowances	0.24	1.43	1.36	1.09	1.06	0.71	0.84	0.65	0.43
Total occupancy expenses	**8.21**	**7.37**	**5.01**	**3.86**	**3.09**	**10.20**	**6.80**	**5.12**	**3.63**
Office and store supplies	0.38	0.40	0.36	0.37	0.40	0.30	0.45	0.38	0.36
Advertising	0.40	0.46	0.56	0.78	0.67	0.41	0.78	0.91	1.01
Net loss on bad debts	—	0.02	0.19	0.27	0.35	—	0.21	0.15	0.38
All other expenses	2.21	2.38	2.07	1.82	2.04	2.52	2.43	1.96	1.41
Total operating expenses	**13.93**	**13.78**	**15.00**	**15.26**	**17.19**	**17.28**	**18.17**	**18.12**	**17.20**
Net operating profit	14.08	11.71	10.47	9.76	7.02	11.13	11.31	9.42	7.27
Non-trading income	2.34	1.44	1.66	0.83	0.52	2.54	0.81	0.52	0.36
Non-trading expense	0.50	0.34	0.31	0.07	0.22	0.05	0.21	0.20	0.17
Net profit before deduction of proprietors' salaries and income tax	**15.92**	**12.81**	**11.82**	**10.52**	**7.32**	**13.62**	**11.91**	**9.74**	**7.46**

TABLE 4. Independent Hardware Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1956

Item	Owned stores with annual net sales of			Rented stores with annual net sales of		
	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	10	20	26	20	31	46
Average net sales per store $	37,173	77,522	200,574	36,044	73,085	188,828
Average beginning inventory $	16,632	25,220	58,223	15,578	28,103	48,722
Average inventory, end of year $	16,986	26,805	59,515	15,918	29,745	55,756
Average cost of goods sold $	27,946	55,162	148,129	25,127	52,321	137,977
Stock turnover (times per year)	1.66	2.12	2.52	1.59	1.81	2.64
Profit and Loss Data (Per cent of net sales)						
Gross profit	**24.82**	**28.84**	**26.14**	**30.29**	**28.41**	**26.93**
Operating expenses:						
Executives' and employees' salaries and wages, etc. (except delivery)	16.83	15.22	13.69	17.32	15.70	14.20
Delivery	0.80	0.86	1.21	1.32	1.01	1.18
Occupancy expenses:						
Taxes	1.03	0.94	0.77	0.79	0.56	0.31
Insurance	0.53	0.76	0.56	0.76	0.57	0.45
Rent	—	—	—	4.39	3.06	1.96
Heat, light and power	1.02	0.85	0.58	1.17	0.75	0.47
Repairs and maintenance	0.33	0.42	0.46	0.34	0.38	0.25
Depreciation allowances	1.14	1.36	1.09	0.68	0.45	0.62
Total occupancy expenses	**4.05**	**4.33**	**3.46**	**8.13**	**5.77**	**4.06**
Office and store supplies	0.35	0.50	0.44	0.59	0.54	0.44
Advertising	0.68	0.98	1.01	1.43	1.06	1.18
Net loss on bad debts	0.27	0.29	0.53	0.35	0.52	0.39
All other expenses	1.41	2.95	2.23	2.77	2.11	2.03
Total operating expenses	**24.39**	**25.13**	**22.57**	**31.91**	**26.71**	**23.48**
Net operating profit	**0.43**	**3.71**	**3.57**	**1.62**[1]	**1.70**	**3.45**
Non-trading income	0.69	1.11	0.93	0.57	0.35	0.33
Non-trading expense	0.03	0.46	0.22	—	0.10	0.02
Net profit before provision for income tax	**1.09**	**4.36**	**4.28**	**1.05**[1]	**1.95**	**3.76**

1. Operating loss.

TABLE 5. Independent Hardware Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of									Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(Average per store)									
Current assets:										
Cash on hand and in bank	2,845	3,231	3,093	2,974	5,271	4,670	3,355	5,726	4,972	3,847
Accounts and notes receivable (net)	2,275	2,482	2,408	5,125	6,217	5,931	10,763	22,351	18,664	5,479
Merchandise inventory	13,197	14,301	13,909	20,654	22,233	21,820	33,446	38,370	36,803	19,238
Other current assets	1,050	1,903	1,600	497	2,018	1,621	304	10,615	7,334	2,267
Total current assets	**19,367**	**21,917**	**21,010**	**29,250**	**35,739**	**34,042**	**47,868**	**77,062**	**67,773**	**30,831**
Fixed assets (net):										
Used in the business	10,182	9,070	9,466	12,682	11,772	12,010	36,327	16,140	22,563	11,840
Not used in the business	1,399	2,622	2,187	877	1,836	1,585	—	88	60	1,737
Total fixed assets (net)	**11,581**	**11,692**	**11,653**	**13,559**	**13,608**	**13,595**	**36,327**	**16,228**	**22,623**	**13,577**
Other assets:										
Long term investments	279	334	314	963	1,946	1,689	28	3,677	2,516	1,036
Other assets	161	32	78	1,865	42	519	291	1,046	806	312
Total other assets	**440**	**366**	**392**	**2,828**	**1,988**	**2,208**	**319**	**4,723**	**3,322**	**1,348**
Total assets	**31,388**	**33,975**	**33,055**	**45,637**	**51,335**	**49,845**	**84,514**	**98,013**	**93,718**	**45,756**
Liabilities										
Current liabilities:										
Accounts and notes payable	4,150	3,714	3,869	9,674	6,432	7,280	13,799	13,486	13,586	6,148
Fixed liabilities:										
Mortgages on fixed assets used in business	3,852	1,320	2,221	6,656	842	2,363	23,558	6,844	12,162	3,414
Mortgages on fixed assets not used in business	108	380	283	—	280	206	—	—	—	225
Total fixed liabilities	**3,960**	**1,700**	**2,504**	**6,656**	**1,122**	**2,569**	**23,558**	**6,844**	**12,162**	**3,639**
Other liabilities	556	245	356	5,271	1,180	2,250	8,417	622	3,102	1,317
Total liabilities	**8,666**	**5,659**	**6,729**	**21,601**	**8,734**	**12,099**	**45,774**	**20,952**	**28,850**	**11,104**
Net worth: proprietor's or partners' equity in the business	22,722	28,316	26,326	24,036	42,601	37,746	38,740	77,061	64,868	34,652
Total liabilities and net worth	**31,388**	**33,975**	**33,055**	**45,637**	**51,335**	**49,845**	**84,514**	**98,013**	**93,718**	**45,756**
Average net sales of stores reporting	35,401	34,344	34,720	64,815	65,952	65,655	126,452	138,615	134,745	56,769
Number of stores reporting	37	67	104	17	48	65	7	15	22	191

TABLE 6. Independent Hardware Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of									Total all sizes $20,000 and over
	$20,000-$49,999			$50,000-$99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(Average per store)									
Assets										
Current assets:										
Cash on hand and in bank	1,799	2,721	2,277	2,895	4,548	3,903	3,849	9,581	7,605	3,729
Accounts and notes receivable (net)	1,897	2,199	2,053	4,718	4,647	4,674	8,426	16,146	13,484	4,858
Merchandise inventory	12,622	13,955	13,312	21,946	25,254	23,962	36,075	42,060	39,996	21,489
Other current assets	175	360	271	65	331	227	153	276	234	249
Total current assets	**16,493**	**19,235**	**17,913**	**29,624**	**34,780**	**32,766**	**48,503**	**68,063**	**61,319**	**30,325**
Fixed assets (net):										
Used in the business	1,948	1,542	1,737	3,319	2,677	2,928	6,260	3,806	4,652	2,640
Not used in the business	1,664	2,356	2,022	118	3,405	2,121	—	46	30	1,734
Total fixed assets (net)	**3,612**	**3,898**	**3,759**	**3,437**	**6,082**	**5,049**	**6,260**	**3,852**	**4,682**	**4,374**
Other assets:										
Long term investments	793	262	518	322	1,535	1,061	123	1,575	1,074	804
Other assets	178	326	255	2,175	534	1,175	581	542	555	634
Total other assets	**971**	**588**	**773**	**2,497**	**2,069**	**2,236**	**704**	**2,117**	**1,629**	**1,438**
Total assets	**21,076**	**23,721**	**22,445**	**35,558**	**42,931**	**40,051**	**55,467**	**74,032**	**67,630**	**36,137**
Liabilities										
Current liabilities:										
Accounts and notes payable	3,782	4,670	4,242	9,290	7,862	8,420	15,088	11,494	12,733	7,127
Fixed liabilities:										
Mortgages on fixed assets used in business	984	14	482	519	254	358	3,880	—	1,338	577
Mortgages on fixed assets not used in business	583	963	780	8	550	338	—	—	—	494
Total fixed liabilities	**1,567**	**977**	**1,262**	**527**	**804**	**696**	**3,880**	**—**	**1,338**	**1,071**
Other liabilities	2,660	2,165	2,403	4,997	2,138	3,255	2,838	4,236	3,754	2,930
Total liabilities	**8,009**	**7,812**	**7,907**	**14,814**	**10,804**	**12,371**	**21,806**	**15,730**	**17,825**	**11,128**
Net worth: Proprietor's or partners' equity in the business	13,067	15,909	14,538	20,744	32,127	27,680	33,661	58,302	49,805	25,009
Total liabilities and net worth	**21,076**	**23,721**	**22,445**	**35,558**	**42,931**	**40,051**	**55,467**	**74,032**	**67,630**	**36,137**
Average net sales of stores reporting	36,624	34,182	35,360	68,913	69,459	69,246	151,321	142,414	145,486	65,485
Number of stores reporting	41	44	85	25	39	64	10	19	29	178

TABLE 7. Independent Hardware Stores — Owned — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of					Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999	$100,000 and over			
			Under 10 years	10 years and over	Total	
	(Average per store)					
Assets						
Current assets:						
Cash on hand and in bank	3,188	4,977	2,177	9,260	7,277	5,744
Accounts and notes receivable (net)	2,640	7,708	45,208	25,215	30,813	17,560
Merchandise inventory	17,652	26,805	59,731	58,832	59,084	40,223
Other current assets	1,702	1,202	252	7,153	5,220	3,146
Total current assets	**25,182**	**40,692**	**107,368**	**100,460**	**102,394**	**66,673**
Fixed assets (net):						
Used in the business	6,859	16,282	39,473	31,378	33,645	22,750
Not used in the business	—	3,726	709	—	198	1,472
Total fixed assets (net)	**6,859**	**20,008**	**40,182**	**31,378**	**33,843**	**24,222**
Other assets:						
Long term investments	147	1,359	205	10,900	7,906	4,188
Other assets	209	2,065	3,351	4,387	4,097	2,696
Total other assets	**356**	**3,424**	**3,556**	**15,287**	**12,003**	**6,884**
Total assets	**32,397**	**64,124**	**151,106**	**147,125**	**148,240**	**97,779**
Liabilities						
Current liabilities:						
Accounts and notes payable	3,695	7,712	38,839	14,585	21,376	13,368
Fixed liabilities:						
Mortgages on fixed assets used in business	1,655	2,830	8,512	837	2,986	2,707
Mortgages on fixed assets not used in business	738	720	70	10	27	402
Total fixed liabilities	**2,393**	**3,550**	**8,582**	**847**	**3,013**	**3,109**
Other liabilities	2,937	12,159	36,898	17,268	22,764	15,532
Total liabilities	**9,025**	**23,421**	**84,319**	**32,700**	**47,153**	**32,009**

TABLE 7. Independent Hardware Stores — Owned — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956 — Concluded

Item	Stores with annual net sales of					Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999	$100,000 and over			
			Under 10 years	10 years and over	Total	
	(Average per store)					
Liabilities — concluded						
Net worth:						
Capital stock	22,498	17,774	39,403	52,423	48,778	32,915
Surplus and undivided profits	874	22,929	27,384	62,002	52,309	32,855
Total net worth	**23,372**	**40,703**	**66,787**	**114,425**	**101,087**	**65,770**
Total liabilities and net worth	**32,397**	**64,124**	**151,106**	**147,125**	**148,240**	**97,779**
Average net sales of stores reporting	38,859	77,522	207,752	200,333	202,411	128,897
Number of stores reporting	9	20	7	18	25	54

TABLE 8. Independent Hardware Stores — Rented — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(Average per store)							
Assets								
Current assets:								
Cash on hand and in bank	4,264	2,134	1,724	1,915	6,530	4,424	5,294	4,021
Accounts and notes receivable (net)	2,409	5,052	7,987	6,617	16,348	20,562	18,821	11,685
Merchandise inventory	15,265	29,078	31,180	30,199	55,020	56,141	55,678	39,550
Other current assets	281	462	2,284	1,435	505	2,576	1,721	1,342
Total current assets	**22,219**	**36,726**	**43,175**	**40,166**	**78,403**	**83,703**	**81,514**	**56,598**
Fixed assets (net):								
Used in the business	2,796	2,510	2,094	2,288	6,313	9,322	8,078	5,194
Not used in the business	125	—	—	—	—	296	174	109
Total fixed assets (net)	**2,921**	**2,510**	**2,094**	**2,288**	**6,313**	**9,618**	**8,252**	**5,303**
Other assets:								
Long term investments	262	—	397	212	146	1,056	680	448
Other assets	1,117	3,075	905	1,917	4,989	3,937	4,372	2,946
Total other assets	**1,379**	**3,075**	**1,302**	**2,129**	**5,135**	**4,993**	**5,052**	**3,394**
Total assets	**26,519**	**42,311**	**46,571**	**44,583**	**89,851**	**98,314**	**94,818**	**65,295**
Liabilities								
Current liabilities:								
Accounts and notes payables	4,744	7,989	7,757	7,865	15,592	21,800	19,235	12,747
Fixed liabilities:								
Mortgages on fixed assets used in business	—	199	283	244	457	185	298	221
Mortgages on fixed assets not used in business	—	—	—	—	—	—	—	—
Total fixed liabilities	**—**	**199**	**283**	**244**	**457**	**185**	**298**	**221**
Other liabilities	7,307	8,940	7,835	8,351	20,362	21,033	20,756	14,148
Total liabilities	**12,051**	**17,128**	**15,875**	**16,460**	**36,411**	**43,018**	**40,289**	**27,116**
Net worth:								
Capital stock	11,976	20,231	16,130	18,044	36,824	26,240	30,611	22,916
Surplus and undivided profits	2,492	4,952	14,566	10,079	16,616	29,056	23,918	15,263
Total net worth	**14,468**	**25,183**	**30,696**	**28,123**	**53,440**	**55,296**	**54,529**	**38,179**
Total liabilities and net worth	**26,519**	**42,311**	**46,571**	**44,583**	**89,851**	**98,314**	**94,818**	**65,295**
Average net sales of stores reporting	36,761	76,190	71,776	73,835	183,128	192,840	188,828	122,101
Number of stores reporting	19	14	16	30	19	27	46	95

INDEPENDENT FURNITURE STORES

This survey of independent furniture stores includes only establishments selling household furniture to the ratio of 67% of the total trade done. The remaining percentages of total net sales may include the sales of home furnishings, household and electrical appliances, glassware and china, pictures and ornaments.

Presentation of profit and loss and balance sheet ratios and data was made under separate tabulations for both forms of organization. The number of reports used for publication of profit and loss ratios was 159 for unincorporated and 116 for incorporated establishments. A smaller number of balance sheet reports were used due mostly to the fact that stores in the smallest sales size were not requested to supply such information. Results are shown by sales-sizes and, where possible a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-sizes ratios were combined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size stores so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large store operation. The use of weighting gives proper importance to small store operations so that the ratios shown in the summary table 10 more truly represent the trade total.

Like hardware stores, furniture stores operated on lower gross profit ratios in 1956 than they did in 1954; this applied to both unincorporated and incorporated stores. The decrease in the ratios of operating expenses was more pronounced than that of marginal profit, with a resulting increase in the ratio of net operating profit. Stores operated as proprietorships or partnerships increased their net profit from 7.16% in 1954 to 8.29%. Incorporated stores showed a smaller increase in net profit from 1.54% to 2.37% in 1956.

TABLE 9. Independent Furniture Stores — Balance Sheet Ratios as at December 31

Item		Unincorporated		Incorporated	
		Owned	Rented	Owned	Rented
Current ratio	1948	2.29	2.38	—	—
	1950	2.57	2.41	—	—
	1952	2.87	2.03	—	—
	1954	2.77	2.32	3.22	2.85
	1956	3.06	2.65	3.53	3.10
Liquidity ratio	1952	1.36	1.10	—	—
	1954	1.40	1.34	1.86	1.75
	1956	1.70	1.34	2.09	2.00
Working capital to net worth ratio	1948	0.58	0.95	—	—
	1950	0.64	0.92	—	—
	1952	0.63	0.82	—	—
	1954	0.66	0.88	0.93	0.99
	1956	0.64	1.00	1.05	1.06
Worth debt ratio	1948	1.69	1.28	—	—
	1950	1.72	1.35	—	—
	1952	2.24	1.07	—	—
	1954	1.87	1.19	1.21	1.41
	1956	1.98	1.17	0.98	1.28
Turnover of total capital employed	1952	1.26	1.57	—	—
	1954	1.40	1.60	1.34	1.82
	1956	1.32	2.17	1.30	1.63

Note: Ratio definitions are shown on page 6.

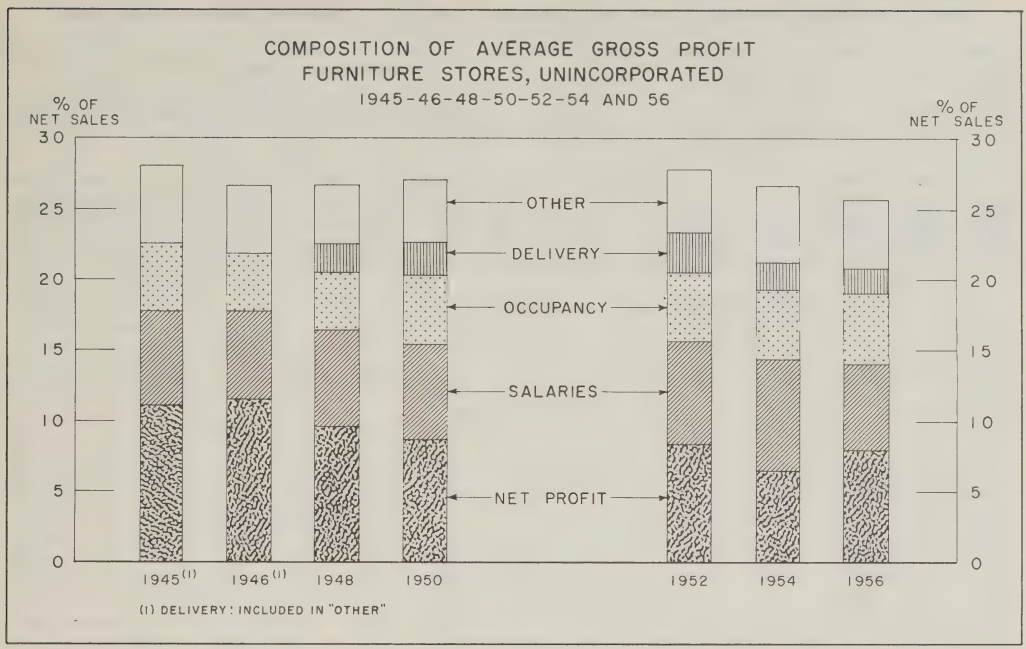


TABLE 10. Operating Results of Independent Furniture Stores 1954 and 1956 compared

Profit and Loss Data	Unincorporated		Incorporated	
	1954	1956	1954	1956
	(Per cent of net sales)			
Gross profit	**26.88**	**26.08**	**28.17**	**27.95**
Operating expenses:				
Employees' salaries	7.15	5.75	13.99	13.33
Occupancy	5.27	5.40	4.59	4.94
Delivery	2.00	1.80	1.94	1.79
Office and store supplies	0.46	0.37	0.42	0.37
Advertising	1.60	1.44	2.22	2.09
All other expenses	3.24	3.03	3.47	3.06
Total operating expenses	**19.72**	**17.79**	**26.63**	**25.58**
Net operating profit before deduction of income tax[1]	**7.16**	**8.29**	**1.54**	**2.37**

1. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores. They do not agree with ratios shown in historical tables.

TABLE 11. Independent Furniture Stores – Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of				Rented stores with annual net sales of		
	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	14	21	24	30	16	21	25
Average net sales per store $	14,546	35,895	68,372	157,732	37,643	75,669	171,954
Average beginning inventory $	5,932	12,271	14,258	32,009	9,151	15,066	33,427
Average inventory, end of year $	6,281	12,389	14,705	32,399	9,122	16,445	33,430
Average cost of goods sold $	10,871	25,749	50,025	116,569	27,860	55,643	131,202
Stock turnover (times per year)	1.78	2.09	3.45	3.62	3.05	3.53	3.92
Profit and Loss Data (Per cent of net sales)							
Gross profit	**25.26**	**28.26**	**26.83**	**26.10**	**25.98**	**26.46**	**23.70**
Operating expenses:							
Executives' and employees' salaries and wages etc. (except delivery)	1.85	6.20	5.24	7.45	4.11	4.33	6.08
Delivery	2.20	1.91	1.92	1.70	1.90	1.87	1.74
Occupancy expenses:							
Taxes	2.03	1.41	1.10	0.90	0.46	0.45	0.40
Insurance	1.09	0.84	0.87	0.66	0.61	0.51	0.44
Rent	—	—	—	—	4.99	3.16	2.35
Heat, light and power	2.29	1.68	1.20	0.77	0.79	0.83	0.53
Repairs and maintenance	1.26	0.70	0.73	0.51	0.51	0.49	0.64
Depreciation allowances	1.09	1.43	1.64	0.95	0.59	0.53	0.48
Total occupancy expenses	**7.76**	**6.06**	**5.54**	**3.79**	**7.95**	**5.97**	**4.84**
Office and store supplies	0.27	0.41	0.42	0.34	0.57	0.38	0.29
Advertising	0.75	1.27	1.02	1.46	1.74	1.38	1.93
Net loss on bad debts	0.07	0.12	0.40	1.08	1.01	0.67	0.40
All other expenses	2.80	2.92	2.80	2.44	2.30	2.48	1.64
Total operating expenses	**15.70**	**18.89**	**17.34**	**18.26**	**19.58**	**17.08**	**16.92**
Net operating profit	**9.56**	**9.37**	**9.49**	**7.84**	**6.40**	**9.38**	**6.78**
Non-trading income	2.90	0.86	1.17	1.52	1.55	1.57	0.42
Non-trading expense	0.99	0.15	0.19	0.05	—	0.96	0.03
Net profit before deduction of proprietors' salaries and income tax	**11.47**	**10.08**	**10.47**	**9.31**	**7.95**	**9.99**	**7.17**

TABLE 12. Independent Furniture Stores – Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of	Rented stores with annual net sales of	
	$100,000 and over	$50,000-$99,999	$100,000 and over
Number of stores reporting	16	15	78
Average net sales per store $	246,114	72,150	314,180
Average beginning inventory $	48,243	20,881	54,146
Average inventory, end of year $	56,125	19,852	58,399
Average cost of goods sold $	180,299	51,473	223,995
Stock turnover (times per year)	3.46	2.53	3.98
Profit and Loss Data (Per cent of net sales)			
Gross profit	**26.74**	**28.65**	**28.70**
Operating expenses:			
Executives' and employees' salaries and wages etc. (except delivery)	13.46	12.67	13.48
Delivery	1.86	2.05	1.63
Occupancy expenses:			
Taxes	0.86	0.51	0.42
Insurance	0.61	0.56	0.51
Rent	—	3.76	2.44
Heat, light and power	0.69	0.72	0.48
Repairs and maintenance	0.52	0.48	0.49
Depreciation allowances	1.19	0.63	0.43
Total occupancy expenses	**3.87**	**6.66**	**4.77**
Office and store supplies	0.32	0.30	0.45
Advertising	1.76	1.34	2.45
Net loss on bad debts	0.45	0.70	0.62
All other expenses	2.67	2.89	2.28
Total operating expenses	**24.39**	**26.61**	**25.68**
Net operating profit	**2.35**	**2.04**	**3.02**
Non-trading income	2.95	0.72	1.89
Non-trading expense	0.41	0.07	0.36
Net profit before provision for income tax	**4.89**	**2.69**	**4.55**

TABLE 13. Independent Furniture Stores – Owned – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999			$50,000 - $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets	(Average per store)							
Current assets:								
Cash on hand and in bank	1,936	3,861	3,187	4,087	4,238	4,186	7,121	5,118
Accounts and notes receivable (net)	3,103	5,536	4,684	6,128	13,393	10,866	38,783	20,645
Merchandise inventory	8,491	14,535	12,420	13,211	16,107	15,100	32,456	21,498
Other current assets	29	323	220	63	691	472	2,326	1,165
Total current assets	**13,559**	**24,255**	**20,511**	**23,489**	**34,429**	**30,624**	**80,686**	**48,426**
Fixed assets (net):								
Used in the business	7,834	8,917	8,538	17,950	15,464	16,328	30,854	20,164
Not used in the business	1,296	6,914	4,948	500	890	755	4,460	3,426
Total fixed assets (net)	**9,130**	**15,831**	**13,486**	**18,450**	**16,354**	**17,083**	**35,314**	**23,590**
Other assets:								
Long term investments	371	3,010	2,087	157	4,538	3,014	5,970	3,975
Other assets	179	61	102	–	325	212	518	308
Total other assets	**550**	**3,071**	**2,189**	**157**	**4,863**	**3,226**	**6,488**	**4,283**
Total assets	**23,239**	**43,157**	**36,186**	**42,096**	**55,646**	**50,933**	**122,488**	**76,299**
Liabilities								
Current liabilities:								
Accounts and notes payable	3,924	5,763	5,119	5,664	8,684	7,633	28,094	15,812
Fixed liabilities:								
Mortgages on fixed assets used in business	1,028	2,136	1,748	1,276	3,160	2,505	9,368	5,118
Mortgages on fixed assets not used in business	–	2,812	1,828	–	–	–	2,397	1,486
Total fixed liabilities	**1,028**	**4,948**	**3,576**	**1,276**	**3,160**	**2,505**	**11,765**	**6,604**
Other liabilities	1,282	1,911	1,691	3,790	3,441	3,563	5,036	3,196
Total liabilities	**6,234**	**12,622**	**10,386**	**10,730**	**15,285**	**13,701**	**44,895**	**25,612**
Net worth: Proprietor's or partners' equity in the business	17,005	30,535	25,800	31,366	40,361	37,232	77,593	50,687
Total liabilities and net worth	23,239	43,157	36,186	42,096	55,646	50,933	122,488	76,299
Average net sales of stores reporting	36,007	36,280	36,184	67,445	67,465	67,458	157,732	95,989
Number of stores reporting	7	13	20	8	15	23	30	73

TABLE 14. Independent Furniture Stores – Rented – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999	$50,000 - $99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets	(Average per store)							
Current assets:								
Cash on hand and in bank	1,742	2,501	855	1,874	3,741	3,843	3,802	2,662
Accounts and notes receivable (net)	9,451	10,859	12,573	11,512	23,268	32,631	28,886	18,420
Merchandise Inventory	9,067	13,916	20,555	16,445	26,789	37,799	33,395	22,001
Other current assets	1,803	206	2,020	897	504	2,060	1,437	1,326
Total current assets	**22,063**	**27,482**	**36,003**	**30,728**	**54,302**	**76,333**	**67,520**	**44,409**
Fixed assets (net):								
Used in the business	1,315	2,969	4,845	3,684	6,090	8,484	7,526	4,790
Not used in the business	–	3,320	2,270	2,920	–	277	166	1,110
Total fixed assets (net)	**1,315**	**6,289**	**7,115**	**6,604**	**6,090**	**8,761**	**7,692**	**5,900**
Other assets:								
Long term investments	652	38	222	108	250	124	175	256
Other assets	2	155	1,027	487	1,086	877	961	581
Total other assets	**654**	**193**	**1,249**	**595**	**1,336**	**1,001**	**1,136**	**837**
Total assets	**24,032**	**33,964**	**44,367**	**37,927**	**61,728**	**86,095**	**76,348**	**51,146**
Liabilities								
Current liabilities:								
Accounts and notes payable	5,976	10,025	13,528	11,360	26,494	27,046	26,825	16,727
Fixed liabilities:								
Mortgages on fixed assets used in business	582	1,845	2,500	2,095	150	–	60	899
Mortgages on fixed assets not used in business	145	3,065	1,300	2,392	–	–	–	884
Total fixed liabilities	**727**	**4,910**	**3,800**	**4,487**	**150**	**–**	**60**	**1,783**
Other liabilities	3,037	4,693	6,441	5,359	2,871	7,867	5,869	5,063
Total liabilities	**9,740**	**19,628**	**23,769**	**21,206**	**29,515**	**34,913**	**32,754**	**23,573**
Net worth: proprietor's or partners' equity in the business	14,292	14,336	20,598	16,721	32,213	51,182	43,594	27,573
Total liabilities and net worth	**24,032**	**33,964**	**44,367**	**37,927**	**61,728**	**86,095**	**76,348**	**51,146**
Average net sales of stores reporting	40,324	74,594	77,415	75,669	189,743	160,094	171,954	108,680
Number of stores reporting	13	13	8	21	10	15	25	59

TABLE 15. Independent Furniture Stores — Owned — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of $100,000 and over			Total all sizes $20,000 and over
	Under 10 years	10 years and over	Total	
	(Average per store)			
Assets				
Current assets:				
Cash on hand and in bank	5,334	5,063	5,182	4,614
Accounts and notes receivable (net)	87,953	65,228	75,170	63,301
Merchandise inventory	80,730	52,631	56,174	48,944
Other current assets	722	4,934	3,091	3,314
Total current assets	**154,739**	**127,856**	**139,617**	**120,173**
Fixed assets (net):				
Used in the business	45,333	34,894	39,461	36,743
Not used in the business	—	1,923	1,082	866
Total fixed assets (net)	**45,333**	**36,817**	**40,543**	**37,609**
Other assets:				
Long term investments	7,076	4,528	5,643	4,514
Other assets	6,095	2,011	3,798	3,587
Total other assets	**13,171**	**6,539**	**9,441**	**8,101**
Total assets	**213,243**	**171,212**	**189,601**	**165,883**
Liabilities				
Current liabilities:				
Accounts and notes payable	51,791	30,040	39,557	33,999
Fixed liabilities:				
Mortgages on fixed assets used in business	24,403	4,469	13,190	14,145
Mortgages on fixed assets not used in business	—	463	260	208
Total fixed liabilities	**24,403**	**4,932**	**13,450**	**14,353**
Other liabilities	45,337	38,348	41,406	35,224
Total liabilities	**121,531**	**73,320**	**94,413**	**83,576**
Net worth: Capital stock	48,086	37,578	42,175	36,431
Surplus and undivided profits	43,626	60,314	53,013	45,876
Total net worth	**91,712**	**97,892**	**95,188**	**82,307**
Total liabilities and net worth	**213,243**	**171,212**	**189,601**	**165,883**
Average net sales of stores reporting	261,769	233,938	246,114	213,924
Number of stores reporting	7	9	16	20

TABLE 16. Independent Furniture Stores — Rented — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with Annual net sales				Total all sizes $20,000 and over
	$50,000 - $99,999	$100,000 and over			
		Under 10 years	10 Years and over	Total	
	(Average per store)				
Assets					
Current assets:					
Cash on hand and in bank	4,230	4,814	9,770	7,420	6,703
Accounts and notes receivable (net)	14,179	74,273	113,859	95,081	79,703
Merchandise inventory	19,852	46,160	69,445	58,400	50,933
Other current assets	1,195	2,681	11,844	7,497	6,296
Total current assets	**39,456**	**127,928**	**204,918**	**168,398**	**143,635**
Fixed assets (net):					
Used in the business	4,289	6,203	13,220	9,891	8,730
Not used in the business	—	325	22	166	135
Total fixed assets (net)	**4,289**	**6,528**	**13,242**	**10,057**	**8,865**
Other assets:					
Long term investments	446	2,129	4,643	3,451	2,873
Other assets	6,900	6,429	10,712	8,679	8,300
Total other assets	**7,346**	**8,558**	**15,355**	**12,130**	**11,173**
Total assets	**51,091**	**143,014**	**233,515**	**190,585**	**163,673**
Liabilities					
Current liabilities:					
Accounts and notes payable	11,408	49,560	59,214	54,634	46,362
Fixed liabilities:					
Mortgages on fixed assets used in business	—	—	909	478	388
Mortgages on fixed assets not used in business	—	85	—	40	33
Total fixed liabilities	**—**	**85**	**909**	**518**	**421**
Other liabilities	12,089	23,885	31,910	28,104	24,919
Total liabilities	**23,497**	**73,530**	**92,033**	**83,256**	**71,702**
Net worth: Capital stock	19,365	32,959	62,053	48,252	42,757
Surplus and undivided profits	8,229	36,525	79,429	59,077	49,214
Total net worth	**27,594**	**69,484**	**141,482**	**107,329**	**91,971**
Total liabilities and net worth	**51,091**	**143,014**	**233,515**	**190,585**	**163,673**
Average net sales of stores reporting	72,150	276,739	347,968	314,180	267,466
Number of stores reporting	15	37	41	78	96

INDEPENDENT HOUSEHOLD APPLIANCE, RADIO AND TELEVISION STORES

Only retail establishments selling one line or a combined line of household appliances, radios, televisions and their parts are covered in this report. Services and repairs may be carried and also sales of furniture and home furnishings, but these must be carried on a minor scale.

Ratios and data for profit and loss and balance sheet are presented under separate tabulations for both forms of organization. The number of reports used for publication of profit and loss ratios was 123 for unincorporated and 69 for incorporated establishments. A smaller number of balance sheet reports were used due mostly to the fact that stores of the two smallest sales sizes are not requested to supply such information. Results are shown by sales-sizes and, where possible a further breakdown was made in the balance sheet averages by number of years in business.

In compiling trade ratios for the "total, all sizes", the different sales-size ratios were combined by giving each size category its proper "weight" as obtained from the 1951 census. In this survey the reporting is generally better in the larger size stores so that any aggregate of reporting firms would show a ratio biased toward the characteristics of large store operation. The use of weighting gives proper importance to small store operations so that the ratios shown in the summary table 18 more truly represent the trade total.

The same pattern followed for hardware and furniture stores was followed by household appliance, radio and television stores. The gross profit ratios were lower in 1956 compared to 1954 for both unincorporated and incorporated stores. The decline in total operating expense ratios was greater than that of the marginal profits, with a resulting gain in net operating profits. Stores operated as proprietorships or partnerships increased their net profit from 6.61% in 1954 to 7.35%. Incorporated stores showed a slightly smaller gain in net profit from 1.74% to 2.28% in 1956.

TABLE 17. Independent Household Appliance, Radio and Television Stores Balance Sheet Ratios as at December 31

Item		Unincorporated		Incorporated
		Owned	Rented	Rented
Current ratio	1948	1.95	2.45	–
	1950	1.98	2.55	–
	1952	2.60	2.01	–
	1954	2.09	2.13	1.91
	1956	2.43	2.46	2.36
Liquidity ratio	1952	1.25	1.08	–
	1954	1.20	1.12	1.17
	1956	1.36	1.17	1.40
Working capital to net worth ratio	1948	0.53	0.81	–
	1950	0.55	0.84	–
	1952	0.61	0.87	–
	1954	0.59	0.97	0.88
	1956	0.63	0.89	1.00
Worth debt ratio	1948	1.25	1.69	–
	1950	1.32	1.64	–
	1952	1.94	1.07	–
	1954	1.26	0.90	0.83
	1956	1.55	1.32	0.95
Turnover of total capital employed	1952	1.70	2.46	–
	1954	1.90	2.52	2.22
	1956	1.79	2.31	2.41

Note: Ratio definitions are shown on page 6.

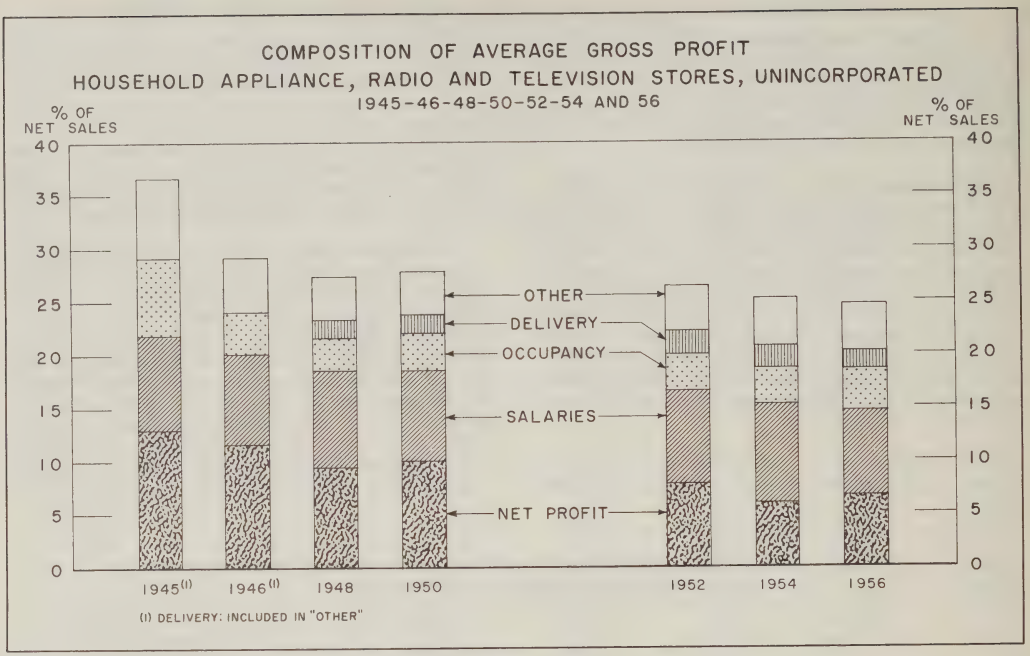


TABLE 18. Operating Results of Independent Household Appliance, Radio and Television Stores 1954 and 1956 Compared

Profit and loss data	Unincorporated		Incorporated[1]	
	1954	1956	1954	1956
Gross profit	**26.07**	**25.62**	**26.35**	**25.50**
Operating expenses:				
Employees' salaries	8.86	7.59	13.98	12.75
Occupancy	4.18	4.42	3.70	3.64
Delivery	2.06	1.68	1.66	1.93
Office and store supplies	0.53	0.43	0.52	0.39
Advertising	1.46	1.41	2.33	1.99
All other expenses	2.37	2.74	2.42	2.52
Total operating expenses	**19.46**	**18.27**	**24.61**	**23.22**
Net operating profit before deduction of income tax[2]	**6.61**	**7.35**	**1.74**	**2.28**

1. Covers only rented stores.
2. Proprietors' salaries included for unincorporated stores.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores. They do not agree with ratios shown in historical tables.

TABLE 19. Independent Household Appliance, Radio and Television Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis 1956

Item	Owned stores with annual net sales of			Rented stores with annual net sales of			
	$20,000-$49,999	$50,000-$99,999	$100,000 and over	$10,000-$19,999	$20,000-$49,999	$50,000-$99,999	$100,000 and over
Number of stores reporting	12	12	15	8	21	23	25
Average net sales per store $	32,598	71,327	161,608	16,624	35,165	76,159	152,621
Average beginning inventory $	8,307	13,588	24,237	4,662	7,522	13,033	28,135
Average inventory, end of year $	8,328	13,052	24,564	5,325	7,810	13,316	31,990
Average cost of goods sold $	24,039	52,963	121,469	12,197	24,348	58,353	116,025
Stock turnover (times per year)	2.89	3.98	4.98	2.44	3.18	4.43	3.86
Profit and Loss Data (Per cent of net sales)							
Gross profit	**26.25**	**25.74**	**24.84**	**26.63**	**30.76**	**23.38**	**23.98**
Operating expenses:							
Executives' and employees' salaries and wages etc (except delivery)	7.20	7.78	9.61	2.90	7.18	7.38	8.37
Delivery	1.95	1.61	1.55	1.38	2.42	1.34	1.75
Occupancy expenses:							
Taxes	0.69	0.65	0.45	0.31	0.47	0.23	0.17
Insurance	0.78	0.62	0.39	0.36	0.54	0.40	0.34
Rent	—	—	—	3.01	3.09	1.86	1.82
Heat, light and power	1.21	0.81	0.56	1.29	0.74	0.38	0.34
Repairs and maintenance	0.68	0.78	0.41	0.32	0.62	0.33	0.31
Depreciation allowances	1.65	1.56	0.92	0.90	1.04	0.57	0.40
Total occupancy expenses	**5.01**	**4.42**	**2.73**	**6.19**	**6.50**	**3.77**	**3.38**
Office and store supplies	0.71	0.33	0.39	0.33	0.47	0.32	0.38
Advertising	0.80	0.96	1.55	1.01	1.13	1.51	2.24
Net loss on bad debts	0.86	0.39	0.72	—	0.32	0.14	0.32
All other expenses	2.41	2.68	2.25	2.19	2.31	1.82	1.92
Total operating expenses	**18.94**	**18.17**	**18.80**	**14.00**	**20.33**	**16.28**	**18.36**
Net operating profit	**7.31**	**7.57**	**6.04**	**12.63**	**10.43**	**7.10**	**5.62**
Non-trading income	1.30	3.62	0.93	0.09	0.58	0.56	0.53
Non-trading expense	0.37	1.19	0.17	—	0.05	—	0.16
Net profit before deduction of proprietors' salaries and income tax	**8.24**	**10.00**	**6.80**	**12.72**	**10.96**	**7.66**	**5.99**

TABLE 20. Independent Household Appliance, Radio and Television Stores — Operating Results of Rented Incorporated Stores by Annual Sales Volume 1956

Item	Stores with annual net sales of	
	$50,000-$99,999	$100,000 and over
Number of stores reporting	14	52
Average net sales per store $	77,448	273,111
Average beginning inventory $	15,482	34,314
Average inventory, end of year $	15,839	38,449
Average cost of goods sold $	55,697	205,084
Stock turnover (times per year)	3.56	5.64
Profit and Loss Data (Per cent of net sales)		
Gross profit	**28.08**	**24.90**
Operating expenses:		
Executives' and employees' salaries and wages etc (except delivery)	14.41	12.36
Delivery	2.06	1.93
Occupancy expenses:		
Taxes	0.27	0.18
Insurance	0.53	0.33
Rent	2.67	1.49
Heat, light and power	0.66	0.34
Repairs and maintenance	0.29	0.43
Depreciation allowances	0.44	0.37
Total occupancy expenses	**4.86**	**3.14**
Office and store supplies	0.55	0.34
Advertising	1.75	2.10
Net loss on bad debts	0.87	0.53
All other expenses	2.66	1.87
Total operating expenses	**27.16**	**22.27**
Net operating profit	**0.92**	**2.63**
Non-trading income	0.27	0.79
Non-trading expense	0.01	0.09
Net profit before provision for income tax	**1.18**	**3.33**

TABLE 21. Independent Household Appliance, Radio and Television Stores — Owned — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of			Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999	$100,000 and over	
	(Average per store)			
Assets				
Current assets:				
Cash on hand and in bank	2,457	4,808	3,702	3,724
Accounts and notes receivable (net)	5,519	12,490	27,481	16,684
Merchandise inventory	9,028	13,052	24,564	16,631
Other current assets	540	254	1,287	750
Total current assets	**17,544**	**30,604**	**57,034**	**37,789**
Fixed assets (net):				
Used in the business	10,048	11,038	19,605	14,244
Not used in the business	7,784	606	1,744	3,007
Total fixed assets (net)	**17,832**	**11,644**	**21,349**	**17,251**
Other assets:				
Long term investments	619	241	1,650	915
Other assets	—	1,402	3,011	1,675
Total other assets	**619**	**1,643**	**4,661**	**2,590**
Total assets	**35,995**	**43,891**	**83,044**	**57,630**
Liabilities				
Current liabilities:				
Accounts and notes payable	4,326	10,740	26,845	15,536
Fixed liabilities:				
Mortgages on fixed assets used in business	736	4,850	6,578	4,438
Mortgages on fixed assets not used in business	1,347	—	346	505
Total fixed liabilities	**2,083**	**4,850**	**6,924**	**4,943**
Other liabilities	873	1,638	3,276	2,095
Total liabilities	**7,282**	**17,228**	**37,045**	**22,574**
Net worth: proprietor's or partners' equity in the business	28,713	26,663	45,999	35,056
Total liabilities and net worth	**35,995**	**43,891**	**83,044**	**57,630**
Average net sales of stores reporting	33,320	71,327	161,608	97,655
Number of stores reporting	10	12	15	37

TABLE 22. Independent Household Appliance, Radio and Television Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1956

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000-$49,999	$50,000-$99,999			$100,000 and over			
		Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	(Average per store)							
Assets								
Current assets:								
Cash on hand and in bank	2,662	3,370	4,985	4,213	6,354	4,997	5,757	4,300
Accounts and notes receivable (net)	3,359	4,901	9,937	7,528	12,281	32,712	21,271	11,238
Merchandise inventory	7,809	13,495	13,147	13,313	28,415	36,541	31,990	18,405
Other current assets	1,954	43	2,354	1,249	483	1,146	775	1,292
Total current assets	**15,784**	**21,809**	**30,423**	**26,303**	**47,533**	**75,396**	**59,793**	**35,235**
Fixed assets (net):								
Used in the business	2,195	2,595	2,204	2,390	7,890	3,580	5,993	3,637
Not used in the business	1,789	1,191	1,288	1,242	2,521	1,420	2,037	1,696
Total fixed assets (net)	**3,984**	**3,786**	**3,492**	**3,632**	**10,411**	**5,000**	**8,030**	**5,333**
Other assets:								
Long term investments	823	1,159	69	591	638	—	357	577
Other assets	—	—	—	—	54	693	335	121
Total other assets	**823**	**1,159**	**69**	**591**	**692**	**693**	**692**	**698**
Total assets	**20,591**	**26,754**	**33,984**	**30,526**	**58,636**	**81,089**	**68,515**	**41,266**
Liabilities								
Current liabilities:								
Accounts and notes payable	5,489	8,122	11,227	9,742	21,843	31,326	26,015	14,344
Fixed liabilities:								
Mortgages on fixed assets used in business	—	—	—	—	632	—	354	128
Mortgages on fixed assets not used in business	98	73	458	274	1,214	588	939	461
Total fixed liabilities	**98**	**73**	**458**	**274**	**1,846**	**588**	**1,293**	**589**
Other liabilities	469	4,168	217	2,106	5,306	6,036	5,627	2,884
Total liabilities	**6,056**	**12,363**	**11,902**	**12,122**	**28,995**	**37,950**	**32,935**	**17,817**
Net worth: proprietor's or partners' equity in the business	14,535	14,391	22,082	18,404	29,641	43,139	35,580	23,449
Total liabilities and net worth	**20,591**	**26,754**	**33,984**	**30,526**	**58,636**	**81,089**	**68,515**	**41,266**
Average net sales of stores reporting	35,165	74,035	78,107	76,159	141,093	167,291	152,621	91,386
Number of stores reporting	21	11	12	23	14	11	25	69

TABLE 23. Independent Household Appliance, Radio and Television Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of business as at December 31, 1956

Item	Stores with annual net sales of				Total all sizes $20,000 and over
	$50,000-$99,999	$100,000 and over			
		Under 10 years	10 years and over	Total	
	(average per store)				
Assets					
Current Assets:					
Cash on Hand and in Bank	3,463	7,663	7,600	7,633	6,523
Accounts and Notes Receivable (Net)	7,728	50,139	49,086	49,644	38,949
Merchandise Inventory	15,839	33,092	44,598	38,506	32,352
Other Current Assets	820	1,303	1,864	1,567	1,396
Total current assets	**27,850**	**92,197**	**103,148**	**97,350**	**79,220**
Fixed assets (Net):					
Used in the business	2,650	5,745	6,656	6,174	5,259
Not used in business	258	886	105	518	442
Total fixed assets (net)	**2,908**	**6,631**	**6,761**	**6,692**	**5,701**
Other assets:					
Long Term Investments	661	1,758	1,093	1,445	1,220
Other assets	9,537	7,382	7,384	7,383	7,504
Total other assets	**10,198**	**9,140**	**8,477**	**8,828**	**8,724**
Total assets	**40,956**	**107,968**	**118,386**	**112,870**	**93,645**
Liabilities					
Current liabilities:					
Accounts and notes payable	11,935	42,257	39,934	41,164	33,515
Fixed liabilities:					
Mortgages on Fixed Assets used in business	–	556	295	433	325
Mortgages on Fixed Assets not used in business	–	363	–	192	144
Total fixed liabilities	**–**	**919**	**295**	**625**	**469**
Other liabilities	5,117	16,160	18,411	17,219	13,979
Total liabilities	**17,052**	**59,336**	**58,640**	**59,008**	**47,963**
Net worth:					
Capital stock	20,568	19,372	21,846	20,536	20,056
Surplus and undivided profits	3,336	29,260	37,900	33,326	25,626
Total net worth	**23,904**	**48,632**	**59,746**	**53,862**	**45,682**
Total liabilities and net worth	**40,956**	**107,968**	**118,386**	**112,870**	**93,645**
Average net sales of stores reporting	77,448	245,783	309,951	275,980	224,513
Number of stores reporting	14	27	24	51	68

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE,

CATALOGUE No.
63-412
BIENNIAL

CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE RETAIL HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES

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Other occasional reports and 1951 Census reports on retail trade are shown in a complete list of publications of the Dominion Bureau of Statistics which is available on request from the Information Services Division, D.B.S., or from the Queen's Printer, Ottawa.

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OPERATING RESULTS AND FINANCIAL STRUCTURE
RETAIL HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES
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INTRODUCTION

This report is a continuation of the practice of the Dominion Bureau of Statistics to publish operating results and financial structure for selected trades primarily as a guide for retailers. The averages and ratios that are shown in this report can be used as a standard by which businessmen can compare their own operating experience. The pattern of expense and financial ratios by size and age of business permits direct analysis of operating results for the year. It should be borne in mind, however, that the averages and ratios as published in this report do not represent top performance guides. They are the "average" of a broad range of operational efficiencies.

Although this report is similar to the previous operating results reports issued for this trade, some slight changes have been made in the presentation and quantity of information in order to increase its value to the user. In Tables 1, 9 and 15 the historical series of major operating ratios is shown for an increased number of years. It is hoped that this change will enable the users to more readily compare the trends in operating with their own experiences during the years. Weights are assigned to the ratios in each sales-size category in relation to its position in the sales picture as found in the 1951 Census. Averages and ratios in the tables not indicated as being weighted represent the actual averages and ratios obtained from the reporting panel of firms in each cell.

Note: Profit and loss and balance sheet definitions are shown on pages 16 and 17.

INDEPENDENT HARDWARE STORES

Only retail establishments selling mainly typical hardware lines such as builders' hardware or shelf hardware, carpenters' and mechanics' tools etc. are covered in this report. Other items such as paints, varnishes, household appliances, farm tools, kitchenware, radios and sporting goods are usually included. Certain service operations may be carried but they do not exceed 50% of total net sales.

TABLE 1. Operating Results of Independent Hardware Stores, 1952-59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
Gross profit	**25.74**	**25.83**	**25.79**	**27.01**	**27.18**	**26.97**	**26.92**	**27.86**
Operating expenses:								
Employees' salaries	6.84	8.09	7.26	7.59	15.58	15.70	14.38	16.62
Occupancy	4.04	4.52	4.72	5.10	3.67	4.14	4.17	4.68
Delivery	1.20	1.09	1.12	1.12	1.28	1.08	1.15	1.01
Office and store supplies	0.48	0.46	0.38	0.40	0.56	0.51	0.46	0.48
Advertising	0.64	0.69	0.73	0.80	0.95	1.11	1.07	1.08
All other expenses	1.74	1.98	2.22	2.72	2.33	2.43	2.61	2.98
Total operating expenses	**14.94**	**16.83**	**16.43**	**17.73**	**24.37**	**24.97**	**23.84**	**26.85**
Net operating profit before income tax and net non-trading income[1]	**10.80**	**9.00**	**9.36**	**9.28**	**2.81**	**2.00**	**3.08**	**1.01**

[1] Before proprietors' salaries in the case of unincorporated firms.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 2. Independent Hardware Stores – Balance Sheet Ratios as at December 31, 1952-59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
Current ratio – Owned	4.65	4.69	5.01	4.86	3.72	4.08	4.99	4.17
Rented	4.55	4.32	4.25	4.50	3.68	3.55	4.44	3.56
Liquidity ratio – Owned	1.61	1.58	1.88	1.56	1.46	1.52	1.98	1.53
Rented	1.55	1.37	1.24	1.32	1.01	0.98	1.34	1.07
Working capital to net worth ratio – Owned	0.76	0.71	0.71	0.72	0.68	0.78	0.81	0.87
Rented	0.87	0.94	0.93	0.94	0.89	0.99	1.15	0.93
Worth debt ratio – Owned	3.26	3.29	3.12	2.73	2.71	1.99	2.05	1.58
Rented	2.95	2.43	2.25	2.20	2.33	1.68	1.41	1.78
Turnover of total capital employed – Owned	1.48	1.41	1.29	1.39	1.39	1.52	1.34	1.43
Rented	2.04	1.82	1.90	1.81	1.96	1.82	1.87	1.79

Note: See page 16 for definitions.

TABLE 3. Independent Hardware Stores – Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of					Rented stores with annual net sales of			Total[1]
	Under $10,000	$10,000-19,999	$20,000-49,999	$50,000-99,999	$100,000 and over	$10,000-19,999	$20,000-49,999	$50,000-99,999	
Number of stores reporting	10	27	87	48	16	13	60	43	315
Average net sales per store $	6,406	15,737	33,436	72,343	150,533	15,874	35,217	71,502	79,513
Average beginning inventory $	6,175	9,983	13,991	23,658	38,093	7,682	13,863	22,154	24,029
Average inventory, end of year $	5,867	10,072	14,384	24,621	41,537	7,689	13,795	22,971	25,142
Average cost of goods sold $	4,696	11,702	24,480	53,125	111,851	11,109	24,285	51,587	58,421
Stock turnover (times per year)	0.78	1.17	1.73	2.20	2.81	1.45	1.76	2.29	2.38
Profit and loss data (Per cent of net sales)									
Gross profit	26.69	25.64	26.79	26.57	25.70	30.02	31.04	27.85	27.01
Operating expenses:									
Employees' salaries and wages (except delivery)	2.78	2.93	5.12	8.09	9.93	5.09	6.55	7.57	7.59
Delivery	0.93	0.95	1.14	1.16	1.32	1.85	1.16	0.93	1.12
Occupancy expenses:									
Taxes	2.91	2.17	1.43	0.98	0.64	0.90	0.55	0.44	0.88
Insurance	1.11	1.07	0.89	0.74	0.54	0.84	0.69	0.53	0.70
Rent	–	–	–	–	–	6.89	3.93	2.45	1.08
Light, heat and power	3.11	2.03	1.38	0.84	0.50	1.22	0.93	0.67	0.91
Repairs and maintenance	1.39	0.49	0.58	0.30	0.48	0.33	0.33	0.37	0.41
Depreciation allowances	0.60	1.30	1.74	1.25	1.04	0.40	0.86	0.78	1.12
Total occupancy expenses	**9.12**	**7.06**	**6.02**	**4.11**	**3.20**	**10.58**	**7.29**	**5.24**	**5.10**
Office and store supplies	0.68	0.28	0.44	0.37	0.43	0.45	0.36	0.41	0.40
Advertising	0.34	0.41	0.59	0.89	0.69	0.27	0.81	1.00	0.80
Net loss on bad debts	–	0.31	0.08	0.23	0.29	0.10	0.18	0.29	0.26
All other expenses	2.54	2.63	2.84	2.47	2.19	2.82	2.81	2.18	2.46
Total operating expenses	**16.39**	**14.57**	**16.23**	**17.32**	**18.05**	**21.16**	**19.16**	**17.62**	**17.73**
Net operating profit	**10.30**	**11.07**	**10.56**	**9.25**	**7.65**	**8.86**	**11.88**	**10.23**	**9.28**
Non-trading income	5.22	1.19	2.49	1.22	0.71	1.05	0.62	0.26	1.24
Non-trading expense	1.33	–	0.33	0.33	0.05	–	–	0.15	0.17
Net profit before deduction of proprietors' salaries and income tax	**14.99**	**12.26**	**12.72**	**10.14**	**8.31**	**9.91**	**12.50**	**10.34**	**10.35**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 4. Independent Hardware Stores – Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of		Rented stores with annual net sales of		Total[1]
	$50,000-99,999	$100,000 and over	$50,000-99,999	$100,000 and over	
Number of stores reporting	11	17	36	41	119
Average net sales per store $	80,641	192,432	74,093	169,123	154,630
Average beginning inventory $	33,863	52,706	26,863	52,183	46,178
Average inventory, end of year $	33,873	55,385	26,051	54,454	47,995
Average cost of goods sold $	57,461	139,019	52,796	124,066	112,139
Stock turnover (times per year)	1.70	2.57	2.00	2.33	2.38
Profit and loss data (Per cent of net sales)					
Gross profit	**28.74**	**27.76**	**28.74**	**26.64**	**27.86**
Operating expenses:					
Executives' and employees' salaries and wages (except delivery)	17.38	17.04	16.81	14.97	16.62
Delivery	0.80	0.89	1.10	1.13	1.01
Occupancy expenses:					
Taxes	1.14	0.60	0.55	0.42	0.62
Insurance	0.83	0.59	0.65	0.58	0.64
Rent	–	–	3.17	2.19	1.27
Light, heat and power	0.83	0.57	0.68	0.52	0.63
Repairs and maintenance	0.53	0.44	0.36	0.28	0.38
Depreciation allowances	1.84	1.51	0.47	0.74	1.14
Total occupancy expenses	**5.17**	**3.71**	**5.88**	**4.73**	**4.68**
Office and store supplies	0.64	0.44	0.45	0.47	0.48
Advertising	1.14	0.84	1.16	1.48	1.08
Net loss on bad debts	0.25	0.45	0.44	0.36	0.39
All other expenses	2.83	2.92	2.24	2.24	2.59
Total operating expenses	**28.21**	**26.29**	**28.08**	**25.38**	**26.85**
Net operating profit	**0.53**	**1.47**	**0.66**	**1.26**	**1.01**
Non-trading income	2.20	0.93	0.42	0.59	0.83
Non-trading expense	0.23	0.11	0.02	0.04	0.09
Net profit before provision for income tax	**2.50**	**2.29**	**1.06**	**1.81**	**1.75**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 5. Independent Hardware Stores – Owned – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of							Total all sizes $20,000 and over
	$20,000 - 49,999			$50,000 - 99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
	average per store (dollars)							
Assets								
Current assets:								
Cash on hand and in bank	1,775	2,930	2,699	6,081	3,543	4,083	7,142	3,619
Accounts and notes receivable (net)	1,538	2,267	2,121	6,561	6,962	6,876	14,767	4,999
Merchandise inventory	11,595	15,012	14,329	26,146	24,325	24,712	41,537	20,568
Other current assets	1,615	1,310	1,371	18	868	687	550	1,065
Total current assets	**16,523**	**21,519**	**20,520**	**38,806**	**35,698**	**36,358**	**63,996**	**30,251**
Fixed assets (net):								
Used in the business	12,117	8,282	9,049	17,219	10,986	12,312	22,581	11,548
Not used in the business	3,319	2,119	2,359	450	1,984	1,657	2,121	2,111
Total fixed assets (net)	**15,436**	**10,401**	**11,408**	**17,669**	**12,970**	**13,969**	**24,702**	**13,659**
Other assets:								
Long term investments	548	1,904	1,633	40	779	622	423	1,181
Other assets	20	256	209	15	622	493	191	297
Total other assets	**568**	**2,160**	**1,842**	**55**	**1,401**	**1,115**	**614**	**1,478**
Total assets	**32,527**	**34,080**	**33,770**	**56,530**	**50,069**	**51,442**	**89,312**	**45,388**
Liabilities								
Current liabilities:								
Accounts and notes payable	3,357	3,407	3,397	10,189	7,241	7,868	16,403	6,223
Fixed liabilities:								
Mortgages on fixed assets used in the business	4,452	2,077	2,552	6,662	2,121	3,087	4,076	2,886
Mortgages on fixed assets not used in the business	762	189	303	–	838	659	–	384
Total fixed liabilities	**5,214**	**2,266**	**2,855**	**6,662**	**2,959**	**3,746**	**4,076**	**3,270**
Other liabilities	1,709	1,586	1,611	9,139	1,483	3,112	7,105	2,682
Total liabilities	**10,280**	**7,259**	**7,863**	**25,990**	**11,683**	**14,726**	**27,584**	**12,175**
Net worth: Proprietor's or partners' equity in the business	22,247	26,821	25,907	30,540	38,386	36,716	61,728	33,213
Total liabilities and net worth	**32,080**	**34,080**	**33,770**	**56,530**	**50,069**	**51,442**	**89,312**	**45,388**
Average net sales of stores reporting	29,390	34,326	33,339	78,306	70,444	72,117	150,533	58,323
Number of stores reporting	17	68	85	10	37	47	16	148

TABLE 6. Independent Hardware Stores – Rented – Financial Structure of Unincorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of						Total all sizes $20,000 and over
	$20,000 - 49,999			$50,000 - 99,999			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	average per store (dollars)						
Assets							
Current assets:							
Cash on hand and in bank	1,081	2,692	1,957	2,369	6,713	5,162	3,746
Accounts and notes receivable (net)	1,673	2,107	1,909	4,717	4,119	4,332	3,808
Merchandise inventory	13,816	14,029	13,932	23,394	22,840	23,038	19,643
Other current assets	151	251	205	597	518	546	601
Total current assets	**16,721**	**19,079**	**18,003**	**31,077**	**34,190**	**33,078**	**27,798**
Fixed assets (net):							
Used in the business	2,603	3,616	5,154	6,503	3,133	4,336	3,815
Not used in the business	1,434	1,141	1,275	1,092	120	468	860
Total fixed assets (net)	**4,037**	**4,757**	**4,429**	**7,595**	**3,253**	**4,804**	**4,675**
Other assets:							
Long term investments	511	732	631	509	145	275	443
Other assets	443	560	507	2,360	148	938	658
Total other assets	**954**	**1,292**	**1,138**	**2,869**	**293**	**1,213**	**1,101**
Total assets	**21,712**	**25,128**	**23,570**	**41,541**	**37,736**	**39,095**	**33,574**
Liabilities							
Current liabilities:							
Accounts and notes payable	4,134	4,480	4,322	8,211	7,965	8,053	6,183
Fixed liabilities:							
Mortgages on fixed assets used in the business	3,413	1,023	2,113	3,966	367	1,653	1,804
Mortgages on fixed assets not used in the business	715	178	423	827	–	295	338
Total fixed liabilities	**4,128**	**1,201**	**2,536**	**4,793**	**367**	**1,948**	**2,142**
Other liabilities	2,597	852	1,648	4,291	2,035	2,841	2,163
Total liabilities	**10,859**	**6,533**	**8,506**	**17,295**	**10,367**	**12,842**	**10,488**
Net worth: Proprietor's or partners' equity in the business	10,853	18,595	15,064	24,246	27,369	26,253	23,086
Total liabilities and net worth	**21,712**	**25,128**	**23,570**	**41,541**	**37,736**	**39,095**	**33,574**
Average net sales of stores reporting	34,646	36,320	35,556	75,503	69,616	71,718	58,443
Number of stores reporting	26	31	57	15	27	42	108

TABLE 7. Independent Hardware Stores – Owned – Financial Structure of Incorporated Stores by Size of Business as at December 31, 1959

Item	Stores with annual net sales of		Total all sizes $20,000 and over
	$50,000-99,999	$100,000 and over	
	average per store (dollars)		
Assets			
Current assets:			
Cash on hand and in bank	4,363	5,208	4,392
Accounts and notes receivable (net)	7,415	29,980	18,782
Merchandise inventory	33,873	55,385	43,528
Other current assets	3,045	1,932	2,073
Total current assets	**48,696**	**92,505**	**68,775**
Fixed assets (net):			
Used in the business	18,114	29,543	22,783
Not used in the business	419	4,167	2,358
Total fixed assets (net)	**18,533**	**33,710**	**25,141**
Other assets:			
Long term investments	–	2,947	1,572
Other assets	1,653	3,237	2,304
Total other assets	**1,653**	**6,184**	**3,876**
Total assets	**68,882**	**132,399**	**97,792**
Liabilities			
Current liabilities:			
Accounts and notes payable	8,562	24,277	16,487
Fixed liabilities:			
Mortgages on fixed assets used in the business	7,551	8,035	7,029
Mortgages on fixed assets not used in the business	–	771	409
Total fixed liabilities	**7,551**	**8,806**	**7,438**
Other liabilities:	11,488	18,938	14,014
Total liabilities	**27,601**	**52,021**	**37,939**
Net worth: Capital stock	26,072	43,337	33,743
Surplus and undivided profits	15,209	37,041	26,110
Total net worth	**41,281**	**80,378**	**59,853**
Total liabilities and net worth	**68,882**	**132,399**	**97,792**
Average net sales of stores reporting	80,641	192,432	133,857
Number of stores reporting	11	17	32

TABLE 8. Independent Hardware Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of						Total all sizes $20,000 and over
	$50,000-99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
	average per store (dollars)						
Assets							
Current assets:							
Cash on hand and in bank	5,508	3,416	4,216	3,312	5,490	4,481	4,199
Accounts and notes receivable (net)	7,100	6,299	6,606	17,267	15,844	16,504	10,977
Merchandise inventory	22,349	28,135	25,923	57,518	51,809	54,454	38,703
Other current assets	3,352	816	1,786	758	1,739	1,283	1,443
Total current assets	**38,309**	**38,666**	**38,531**	**78,855**	**74,882**	**76,722**	**55,322**
Fixed assets (net):							
Used in the business	3,711	2,686	3,078	6,119	12,426	9,503	6,148
Not used in the business	–	190	117	–	149	80	94
Total fixed assets (net)	**3,711**	**2,876**	**3,195**	**6,119**	**12,575**	**9,583**	**6,242**
Other assets:							
Long term investments	60	897	577	141	2,358	1,331	894
Other assets	4,543	1,428	2,619	7,448	3,753	5,466	4,056
Total other assets	**4,603**	**2,325**	**3,196**	**7,589**	**6,111**	**6,797**	**4,950**
Total assets	**46,623**	**43,867**	**44,922**	**92,563**	**93,568**	**93,102**	**66,514**
Liabilities							
Current liabilities:							
Accounts and notes payable	8,369	10,060	9,414	25,893	20,390	22,940	15,543
Fixed liabilities:							
Mortgages on fixed assets used in the business	–	655	404	2,621	1,482	2,010	1,159
Mortgages on fixed assets not used in the business	–	–	–	19	–	9	5
Total fixed liabilities	**–**	**655**	**404**	**2,640**	**1,482**	**2,019**	**1,164**
Other liabilities	7,730	4,428	5,691	6,777	10,912	8,996	7,210
Total liabilities	**16,099**	**15,143**	**15,509**	**35,310**	**32,784**	**33,955**	**23,917**
Net worth: Capital stock	14,611	18,760	17,174	46,599	23,453	34,179	24,845
Surplus and undivided profits	15,913	9,964	12,239	10,654	37,331	24,968	17,752
Total net worth	**30,524**	**28,724**	**29,413**	**57,253**	**60,784**	**59,147**	**42,597**
Total liabilities and net worth	**46,623**	**43,867**	**44,922**	**92,563**	**93,568**	**93,102**	**66,514**
Average net sales of stores reporting	71,024	74,856	73,391	166,181	171,664	169,123	117,074
Number of stores reporting	13	21	34	19	22	41	83

INDEPENDENT FURNITURE STORES

Only retail establishments selling mainly household furniture are covered in this report. Other items sold may include home furnishings, floor coverings, household appliances etc. but furniture must constitute at least 67% of total net sales.

TABLE 9. Operating Results of Independent Furniture Stores, 1952 - 59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
Gross profit	**27.76**	**26.88**	**26.08**	**27.18**	–	**28.17**	**27.95**	**26.30**
Operating expenses:								
Employees' salaries	6.49	7,15	5.75	6,14	–	13.99	13.33	13.28
Occupancy	5.13	5.27	5.40	5.52	–	4.59	4.94	5.40
Delivery	2.82	2.00	1.80	2.11	–	1.94	1.79	2.47
Office and store supplies	0.42	0.46	0.37	0.38	–	0.42	0.37	0.31
Advertising	1.29	1.60	1.44	1.72	–	2.22	2.09	2.15
All other expenses	2.70	3.24	3.03	2.97	–	3.47	3.06	3.47
Total operating expenses	**18.85**	**19.72**	**17.79**	**18.84**	–	**26.63**	**25.58**	**27.08**
Net operating profit before income tax and net non-trading income[1]	**8.91**	**7.16**	**8.29**	**8.34**	–	**1.54**	**2.37**	**0.78**[2]

[1] Before proprietors' salaries in the case of unincorporated firms.
[2] Operating loss.

Note: The ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 10. Independent Furniture Stores – Balance Sheet Ratios as at December 31, 1952 - 59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
Current ratio – Owned	2.87	2.77	3.06	4.47	–	3.22	3.53	1.97
Rented	2.03	2.32	2.65	3.15	–	2.85	3.10	3.32
Liquidity ratio – Owned	1.36	1.40	1.70	2.53	–	1.86	2.09	1.16
Rented	1.10	1.34	1.34	1.60	–	1.75	2.00	2.05
Working capital to net worth ratio – Owned	0.63	0.66	0.64	0.69	–	0.93	1.05	0.77
Rented	0.82	0.88	1.00	1.06	–	0.99	1.06	1.23
Worth debt ratio – Owned	2.24	1.87	1.98	3.09	–	1.21	0.98	0.61
Rented	1.07	1.19	1.17	1.21	–	1.41	1.28	1.07
Turnover of total Capital employed – Owned	1.26	1.40	1.32	1.38	–	1.34	1.30	1.04
Rented	1.57	1.60	2.17	2.01	–	1.82	1.63	1.76

Note: see page 16 for definitions.

TABLE 11. Independent Furniture Stores — Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of			Rented stores with annual net sales of	Total[1]
	$20,000-49,999	$50,000-99,999	$100,000 and over	$50,000-99,999	
Number of stores reporting	10	14	15	12	75
Average net sales per store $	31,681	76,409	143,381	74,915	97,793
Average beginning inventory $	10,790	15,668	32,145	16,863	20,988
Average inventory, end of year $	10,208	16,030	33,623	18,266	21,496
Average cost of goods sold $	24,163	53,663	105,598	51,924	71,392
Stock turnover (times per year)	2.30	3.39	3.21	2.96	3.36
Profit and loss data (Per cent of net sales)					
Gross profit	**23.73**	**29.77**	**26.35**	**30.69**	**27.18**
Operating expenses:					
Employees' salaries and wages (except delivery)	4.48	4.53	8.56	7.55	6.14
Delivery	2.58	1.78	1.54	2.17	2.11
Occupancy expenses:					
Taxes	1.90	1.39	1.20	0.45	1.02
Insurance	0.90	0.66	0.55	0.78	0.69
Rent	—	—	—	3.80	1.47
Light, heat and power	1.08	1.01	0.67	0.98	0.88
Repairs and maintenance	0.76	0.62	0.53	0.46	0.54
Depreciation allowances	1.71	0.88	0.85	1.33	0.92
Total occupancy expenses	**6.35**	**4.56**	**3.80**	**7.80**	**5.52**
Office and store supplies	0.34	0.46	0.25	0.32	0.38
Advertising	1.38	1.37	2.03	1.40	1.72
Net loss on bad debts	0.60	0.67	0.37	0.59	0.42
All other expenses	2.72	3.51	2.42	2.90	2.55
Total operating expenses	**18.45**	**16.88**	**18.97**	**22.73**	**18.84**
Net operating profit	**5.28**	**12.89**	**7.38**	**7.96**	**8.34**
Non-trading income	0.88	0.60	1.35	0.34	0.76
Non-trading expense	—	0.22	0.03	0.08	0.09
Net profit before deduction of proprietors' salaries and income tax	**6.16**	**13.27**	**8.70**	**8.22**	**9.01**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 12. Independent Furniture Stores — Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores	Rented stores with annual net sales of	Total[1]
	Total all sizes	$100,000 and over	
Number of stores reporting	10	48	64
Average net sales per store $	175,686	247,655	214,935
Average beginning inventory $	35,776	46,630	41,550
Average inventory, end of year $	41,547	48,636	45,193
Average cost of goods sold $	127,984	178,906	156,839
Stock turnover (times per year)	3.31	3.76	3.62
Profit and loss data (Per cent of net sales)			
Gross profit	**27.15**	**27.76**	**26.30**
Operating expenses:			
Executives' and employees' salaries and wages (except delivery)	14.67	12.73	13.28
Delivery	2.45	2.41	2.47
Occupancy expenses:			
Taxes	0.98	0.42	0.64
Insurance	0.69	0.55	0.63
Rent	—	3.25	2.06
Light, heat and power	0.96	0.59	0.77
Repairs and maintenance	0.44	0.47	0.50
Depreciation allowances	1.42	0.40	0.80
Total occupancy expenses	**4.49**	**5.68**	**5.40**
Office and store supplies	0.23	0.29	0.31
Advertising	2.12	2.31	2.15
Net loss on bad debts	0.68	0.63	0.58
All other expenses	3.45	2.60	2.89
Total operating expenses	**28.09**	**26.65**	**27.08**
Net operating profit	**0.94[2]**	**1.11**	**0.78[2]**
Non-trading income	2.77	2.01	2.04
Non-trading expense	0.22	0.22	0.19
Net profit before provision for income tax	**1.61**	**2.90**	**1.07**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.
[2] Operating loss.

TABLE 13. Independent Furniture Stores — Financial Structure of Unincorporated Stores by Size of Business as at December 31, 1959

Item	Owned stores				Rented stores	
	With annual net sales of			Total all sizes	With annual net sales of	Total all sizes
	$20,000-49,999	$50,000-99,999	$100,000 and over	$20,000 and over	$50,000-99,999	$20,000 and over
	average per store (dollars)					
Assets						
Current assets:						
Cash on hand and in bank	2,499	5,166	9,712	6,231	1,665	2,556
Accounts and notes receivable (net)	6,824	13,144	31,057	18,413	13,957	14,283
Merchandise inventory	10,568	16,029	33,623	21,396	18,265	16,944
Other current assets	587	2,263	5,915	3,237	1,136	570
Total current assets	**20,478**	**36,602**	**80,307**	**49,277**	**35,023**	**34,353**
Fixed assets (net):						
Used in the business	11,891	11,761	22,811	16,044	6,918	4,348
Not used in the business	1,183	3,424	3,389	2,836	1,133	568
Total fixed assets (net)	**13,074**	**15,185**	**26,200**	**18,880**	**8,051**	**4,916**
Other assets:						
Long term investments	1,300	1,878	8,056	4,106	1,033	736
Other assets	15	159	1,498	637	95	327
Total other assets	**1,315**	**2,037**	**9,554**	**4,743**	**1,128**	**1,063**
Total assets	**34,867**	**53,824**	**116,061**	**72,900**	**44,202**	**40,332**
Liabilities						
Current liabilities:						
Accounts and notes payable	4,823	8,986	17,039	11,016	10,920	10,906
Fixed liabilities:						
Mortgages on fixed assets used in the business	1,265	993	1,838	1,388	3,202	1,580
Mortgages on fixed assets not used in the business	105	—	807	337	—	—
Total fixed liabilities	**1,370**	**993**	**2,645**	**1,725**	**3,202**	**1,580**
Other liabilities	800	2,626	10,177	5,062	4,842	5,784
Total liabilities	**6,993**	**12,605**	**29,861**	**17,803**	**18,964**	**18,270**
Net worth: Proprietor's or partners' equity in the business	27,874	41,219	86,200	55,097	25,238	22,062
Total liabilities and net worth	**34,867**	**53,824**	**116,061**	**72,900**	**44,202**	**40,332**
Average net sales of stores reporting	31,681	76,409	143,381	90,699	74,915	78,611
Number of stores reporting	10	14	15	39	12	26

TABLE 14. Independent Furniture Stores — Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1959

Item	Owned stores with annual net sales of $20,000 and over	Rented stores			
		With annual net sales of $100,000 and over			Total all sizes $20,000 and over
		Under 10 years	10 years and over	Total	
	average per store (dollars)				
Assets					
Current assets:					
Cash on hand and in bank	2,049	5,485	15,447	11,296	10,241
Accounts and notes receivable (net)	55,477	68,705	63,099	65,435	59,973
Merchandise inventory	41,547	46,613	50,510	48,886	45,389
Other current assets	2,062	1,887	3,783	2,993	2,779
Total current assets	**101,135**	**122,690**	**132,839**	**128,610**	**118,382**
Fixed assets (net):					
Used in the business	61,732	5,224	6,227	5,809	5,460
Not used in the business	648	—	571	333	337
Total fixed assets (net)	**62,380**	**5,224**	**6,798**	**6,142**	**5,797**
Other assets:					
Long term investments	932	1,391	336	775	689
Other assets	6,189	5,427	5,705	5,589	4,984
Total other assets	**7,121**	**6,818**	**6,041**	**6,364**	**5,673**
Total assets	**170,636**	**134,732**	**145,678**	**141,116**	**129,852**
Liabilities					
Current liabilities:					
Accounts and notes payable	51,397	44,386	34,180	38,432	35,616
Fixed liabilities:					
Mortgages on fixed assets used in the business	15,416	466	2,932	1,904	1,693
Mortgages on fixed assets not used in the business	500	148	—	62	—
Total fixed liabilities	**15,916**	**614**	**2,932**	**1,966**	**1,693**
Other liabilities	38,836	25,572	27,406	26,642	25,286
Total liabilities	**106,149**	**70,572**	**64,518**	**67,040**	**62,595**
Net worth: Capital stock	20,951	31,488	33,056	32,403	30,074
Surplus and undivided profits	43,536	32,672	48,104	41,673	37,183
Total net worth	**64,487**	**64,160**	**81,160**	**74,076**	**67,257**
Total liabilities and net worth	**170,636**	**134,732**	**145,678**	**141,116**	**129,852**
Average net sales of stores reporting	175,686	251,527	244,890	247,655	227,099
Number of stores reporting	10	20	28	48	54

INDEPENDENT HOUSEHOLD APPLIANCE, RADIO AND TELEVISION STORES

Only retail establishments selling mainly household appliances, either gas or electric, radio and television sets are covered in this report. Other items sold may include furniture and home furnishings but these are sold only in minor quantities.

TABLE 15. Operating Results of Independent Household Appliance, Radio and Television Stores, 1952-59

Item	Unincorporated				Incorporated (Rented stores only)			
	1952	1954	1956	1959	1952	1954	1956	1959
	per cent of net sales							
Gross profit	**26.36**	**26.07**	**25.62**	**29.70**	**–**	**26.35**	**25.50**	**25.32**
Operating expenses:								
Employees' salaries	8.72	8.86	7.59	9.71	–	13.98	12.75	13.18
Occupancy	3.49	4.18	4.42	5.34	–	3.70	3.64	3.73
Delivery	2.19	2.06	1.68	2.22	–	1.66	1.93	1.87
Office and store supplies	0.34	0.53	0.43	0.35	–	0.52	0.39	0.39
Advertising	1.70	1.46	1.41	1.33	–	2.33	1.99	1.68
All other expenses	2.15	2.37	2.74	3.61	–	2.42	2.52	3.43
Total operating expenses	**18.59**	**19.46**	**18.27**	**22.56**	**–**	**24.61**	**23.22**	**24.28**
Net operating profit before income tax and net non-trading income[1]	**7.77**	**6.61**	**7.35**	**7.14**	**–**	**1.74**	**2.28**	**1.04**

[1] Before proprietors' salaries in the case of unincorporated firms.

Note: These ratios are "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 16. Independent Household Appliance, Radio and Television Stores – Balance Sheet Ratios as at December 31, 1952-59

Item	Unincorporated				Incorporated			
	1952	1954	1956	1959	1952	1954	1956	1959
Current ratio – Owned	2.60	2.09	2.43	2.59	–	–	–	–
Rented	2.01	2.13	2.46	2.47	–	1.91	2.36	2.14
Liquidity ratio – Owned	1.25	1.20	1.36	1.20	–	–	–	–
Rented	1.08	1.12	1.17	1.10	–	1.17	1.40	1.04
Working capital to net worth ratio – Owned	0.61	0.59	0.63	0.64	–	–	–	–
Rented	0.87	0.97	0.89	0.78	–	0.88	1.00	0.90
Worth debt ratio – Owned	1.94	1.26	1.55	1.52	–	–	–	–
Rented	1.07	0.90	1.32	1.50	–	0.83	0.95	0.93
Turnover of total capital employed – Owned	1.70	1.90	1.79	1.56	–	–	–	–
Rented	2.46	2.52	2.31	2.35	–	2.22	2.41	2.26

Note: See page 16 for definitions.

TABLE 17. Independent Household Appliance, Radio and Television Stores – Operating Results of Unincorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Owned stores with annual net sales of		Rented stores with annual net sales of			Total[1]
	$50,000 99,999	$100,000 and over	$20,000 49,999	$50,000-99,999	$100,000 and over	
Number of stores reporting	13	10	14	13	12	74
Average net sales per store $	68,041	139,585	35,840	74,128	160,496	89,605
Average beginning inventory $	15,488	29,748	8,880	13,146	30,576	19,144
Average inventory, end of year $	15,735	29,411	9,151	15,918	30,448	19,608
Average cost of goods sold $	51,421	102,943	22,540	52,588	119,066	65,173
Stock turnover (times per year)	3.29	3.48	2.50	3.62	3.90	3.36
Profit and loss data (Per cent of net sales)						
Gross profit	**24.43**	**26.25**	**37.11**	**29.06**	**25.81**	**29.70**
Operating expenses:						
Employees' salaries and wages (except delivery)	7.18	9.89	13.36	9.42	9.24	9.71
Delivery	2.09	1.31	3.70	2.05	1.94	2.22
Occupancy expenses:						
Taxes	0.82	0.67	0.61	0.33	0.21	0.71
Insurance	0.61	0.82	0.93	0.52	0.53	0.74
Rent	–	–	2.90	2.74	2.29	1.47
Light, heat and power	0.86	0.74	0.78	0.51	0.38	0.88
Repairs and maintenance	0.55	0.47	0.27	0.32	0.22	0.43
Depreciation allowances	1.21	1.34	1.54	0.41	0.27	1.11
Total occupancy expenses	**4.05**	**4.04**	**7.03**	**4.83**	**3.90**	**5.34**
Office and store supplies	0.56	0.21	0.47	0.44	0.24	0.35
Advertising	1.04	1.43	1.50	1.14	2.14	1.33
Net loss on bad debts	0.27	0.29	0.08	0.25	0.44	0.36
All other expenses	2.84	2.44	3.23	4.39	1.97	3.25
Total operating expenses	**18.03**	**19.61**	**29.37**	**22.52**	**19.87**	**22.56**
Net operating profit	**6.40**	**6.64**	**7.74**	**6.54**	**5.94**	**7.14**
Non-trading income	1.04	0.71	0.21	1.55	1.12	1.59
Non-trading expense	0.12	–	0.81	0.06	0.31	0.19
Net profit before deduction of proprietors' salaries and income tax	**7.32**	**7.35**	**7.14**	**8.03**	**6.75**	**8.54**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.

TABLE 18. Independent Household Appliance, Radio and Television Stores – Operating Results of Incorporated Stores by Annual Sales Volume and Occupancy Basis, 1959

Item	Rented stores with annual net sales of		Total[1]
	$50,000-99,999	$100,000 and over	
Number of stores reporting	13	36	61
Average net sales per store $	76,651	278,870	218,963
Average beginning inventory $	18,082	45,704	37,644
Average inventory, end of year $	20,646	50,922	41,645
Average cost of goods sold $	52,453	209,721	161,697
Stock turnover (times per year)	2.71	4.34	4.08
Profit and loss data (Per cent of net sales)			
Gross profit	**31.57**	**24.80**	**25.32**
Operating expenses:			
Executives and employees' salaries and wages (except delivery)	17.91	12.18	13.18
Delivery	2.57	1.59	1.87
Occupancy expenses:			
Taxes	0.40	0.30	0.41
Insurance	0.73	0.44	0.50
Rent	2.88	1.75	1.41
Light, heat and power	0.63	0.37	0.44
Repairs and maintenance	0.32	0.22	0.30
Depreciation allowances	0.84	0.51	0.67
Total occupancy expenses	**5.80**	**3.59**	**3.73**
Office and store supplies	0.32	0.36	0.39
Advertising	2.17	2.15	1.68
Net loss on bad debts	0.36	0.37	0.52
All other expenses	4.28	2.65	2.91
Total operating expenses	**33.41**	**22.89**	**24.28**
Net operating profit	**1.84[2]**	**1.91**	**1.04**
Non-trading income	1.30	0.78	1.01
Non-trading expense	–	0.13	0.07
Net profit before provision for income tax	**0.54[2]**	**2.56**	**1.98**

[1] Averages and ratios "weighted" according to the 1951 Census weights of the different sales sizes for independent stores.
[2] Operating loss.

TABLE 19. Independent Household Appliance, Radio and Television Stores – Financial Structure of Unincorporated Stores by Size of Business as at December 31, 1959

Item	Owned stores with annual net sales of	Total all sizes $20,000 and over	Rented stores with annual net sales of			Total all sizes $20,000 and over
	$50,000 - 99,999		$20,000 - 49,999	$50,000 - 99,999	$100,000 and over	
Assets	average per store (dollars)					
Current assets:						
Cash on hand and in bank	1,828	1,975	2,404	3,053	4,827	3,328
Accounts and notes receivable (net)	8,062	14,064	2,612	8,385	19,632	9,514
Merchandise inventory	15,828	20,662	9,151	15,918	31,778	18,016
Other current assets	1,102	1,952	2,909	61	1,704	1,586
Total current assets	**26,820**	**38,653**	**17,076**	**27,417**	**57,941**	**32,444**
Fixed assets (net):						
Used in the business	15,325	16,915	3,314	1,741	6,975	3,835
Not used in the business	2,364	1,943	172	6,158	4,555	3,489
Total fixed assets (net)	**17,689**	**18,858**	**3,486**	**7,899**	**11,530**	**7,324**
Other assets:						
Long term investments	4,198	2,799	36	1,600	330	656
Other assets	1,214	792	3	2,172	–	744
Total other assets	**5,412**	**3,591**	**39**	**3,772**	**330**	**1,400**
Total assets	**49,921**	**61,102**	**20,601**	**39,088**	**69,801**	**41,168**
Liabilities						
Current liabilities:						
Accounts and notes payable	10,343	14,942	7,838	9,157	24,616	13,146
Fixed liabilities:						
Mortgages on fixed assets used in the business	4,602	4,567	83	118	1,604	535
Mortgages on fixed assets not used in the business	1,277	638	–	2,278	473	916
Total fixed liabilities	**5,879**	**5,205**	**83**	**2,396**	**2,077**	**1,451**
Other liabilities	4,073	4,058	636	3,654	1,259	1,849
Total liabilities	**20,295**	**24,205**	**8,557**	**15,207**	**27,952**	**16,446**
Net worth: Proprietors' or partners' equity in the business	29,626	36,897	12,044	23,881	41,849	24,722
Total liabilities and net worth	**49,921**	**61,102**	**20,601**	**39,088**	**69,801**	**41,168**
Average net sales of stores reporting	68,041	88,142	35,840	74,128	167,710	87,111
Number of stores reporting	13	26	14	13	11	38

TABLE 20. Independent Household Appliance, Radio and Television Stores – Rented – Financial Structure of Incorporated Stores by Size and Age of Business as at December 31, 1959

Item	Stores with annual net sales of				Total all sizes $20,000 and over
	$50,000 - 99,999	$100,000 and over			
		Under 10 years	10 years and over	Total	
Assets	average per store (dollars)				
Current assets:					
Cash on hand and in bank	5,246	5,681	10,440	8,253	7,114
Accounts and notes receivable (net)	11,725	39,841	36,629	38,105	29,741
Merchandise inventory	20,646	56,446	44,471	49,973	40,361
Other current assets	1,544	1,344	1,456	1,405	1,361
Total current assets	**39,161**	**103,312**	**92,996**	**97,736**	**78,577**
Fixed assets (net):					
Used in the business	4,165	13,028	8,014	10,318	8,400
Not used in the business	–	–	516	279	195
Total fixed assets (net)	**4,165**	**13,028**	**8,530**	**10,597**	**8,595**
Other assets:					
Long term investments	–	1,388	5,230	3,464	2,418
Other assets	5,550	10,538	3,447	6,705	6,740
Total other assets	**5,550**	**11,926**	**8,677**	**10,169**	**9,158**
Total assets	**48,876**	**128,266**	**110,203**	**118,502**	**96,330**
Liabilities					
Current liabilities:					
Accounts and notes payable	14,566	57,128	38,204	46,899	36,788
Fixed liabilities:					
Mortgages on fixed assets used in the business	145	3,380	1,238	2,222	1,587
Mortgages on fixed assets not used in the business	–	–	–	–	–
Total fixed liabilities	**145**	**3,380**	**1,238**	**2,222**	**1,587**
Other liabilities	9,293	10,833	14,789	12,971	11,587
Total liabilities	**24,204**	**71,341**	**54,231**	**62,092**	**49,962**
Net worth: Capital stock	13,587	26,587	18,171	22,038	20,470
Surplus and undivided profits	11,085	30,338	37,801	34,372	25,898
Total net worth	**24,672**	**56,925**	**55,972**	**56,410**	**46,368**
Total liabilities and net worth	**48,876**	**128,266**	**110,203**	**118,502**	**96,330**
Average net sales of stores reporting	76,651	307,547	244,609	273,527	211,604
Number of stores reporting	13	17	20	37	53

DEFINITIONS

PROFIT AND LOSS

Items

Net sales – the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases – are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold – determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit – the difference between "cost of goods sold" and "net sales".

Operating expenses – all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) – payments to employees before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes – business, property and water taxes. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance – annual proportion of premiums for insurance policies carried to protect the business.

Rent – payments for use of business premises.

Heat, light and power – cost applicable to year's operations.

Repairs and maintenance – costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Store supplies – wrapping paper, office supplies, etc.

Advertising – displays, window dressing and sales promotion.

Net bad debt loss – estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses – telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit – is the difference between "total operating expenses" and "gross profit" and includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy – the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income – interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense – interest expense, rental expense, any other expenses not pertaining to the business.

Ratios

Stock turnover – the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio – sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios – each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio – the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.

BALANCE SHEET

Asset Items

Cash on hand or in bank – the amount of cash in the business at the end of the year.

Net accounts receivable – all customers' notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory – the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets – includes assets which may be converted into cash, if necessary within a reasonably short time, such as Dominion of Canada Bonds and prepaid insurance.

Fixed assets (net) – the cost value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets – investments of a permanent nature not readily converted into cash and intangibles such as goodwill and organization costs.

Liabilities and Net Worth Items

Current liabilities – obligations which must be paid in the near future (usually one year) and represent accounts payable or any item that may be considered as a direct lien against current assets.

Fixed liabilities – mortgages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities – long term notes payable, accrued expenses such as taxes due but not yet paid, and prepaid or deferred income.

Net worth – Unincorporated business – the amount invested in the business together with any accumulated profits after proprietor's or partners' withdrawals.

– Incorporated business – net worth is shown in two parts:

(1) Capital stock, which represents the shareholders' investment of fully paid-up subscribed shares, and

(2) Surplus, which represents distributable surplus, capital surplus and earned surplus.

Ratios

Current ratio – Current Assets ÷ Current Liabilities – indicates to what extent the business is able to meet its current obligations out of "current assets". Care should be taken to examine the components of current assets because overstocking of inventories and overinvestment in credit sales (accounts receivable) can result in a stronger or more favourable ratio.

Liquidity ratio – Current Assets less Merchandise Inventory ÷ Current Liabilities – sometimes referred to as the "acid test", is similar to the "current ratio" as a test of current credit strength. A ratio of 100% (or 1) is usually considered favourable.

Working capital to net worth ratio – denotes the relationship between "working capital" (current assets less current liabilities) and a proprietor's equity in the business. That is, the proportion of "net worth" that could be realized readily if liquidation were necessary.

Worth-debt ratio – Net Worth ÷ Total Liabilities – if used in conjunction with the "current ratio", would reflect any weakening of the capital structure of a business through large loans which give a high "current ratio".

Interstatement Ratio

Turnover of total capital employed – Net Sales ÷ Total Assets used in the business – provides an indication of the degree of management efficiency. However, this ratio should not be used alone because "profits" and not "sales" are the major criterion of efficiency.

CATALOGUE No.
63-412
TRIENNIAL

CANADA

HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES

(Independent)

OPERATING RESULTS

1964

The last issue of this report, formerly known as Operating Results and Financial Structure - Retail Hardware, Furniture, Appliance, Radio and Television stores (Independent), was for 1959. Previously Biennial, it is now Triennial.

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HARDWARE, FURNITURE, APPLIANCE, RADIO AND TELEVISION STORES

(Independent)

OPERATING RESULTS

1964

INTRODUCTION

This report is the first of its kind since 1960. During the 1961 Census of Merchandising and Service Establishments, data were collected on gross profit ratios for retail trades and these are published in Table 20, Volume VI, Part 1, of the Census of Canada, 1961; the small bulletin containing Table 20 bears Catalogue No. 97-505. These publications are obtainable from the Queen's Printer, Ottawa.

It is the intention to survey the trades reported on by the present bulletin every three years.

The figures in this report are published primarily as a guide for retailers. The averages and ratios that are shown can be used as a standard against which business men can compare their own operating experience. Data are provided for various types and sizes of operations. However, it is well to keep in mind that the averages and ratios published here do not represent the ideal situation to be aimed for. They are merely the observed results of a range of operational efficiencies. Where averages and ratios are given for a number of size categories or a number of types of operation, a weighting procedure has been applied to such data. These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores. Data on financial structure are no longer collected.

For the next report, in addition to the type of data being made available now, it is intended to produce averages and ratios for stores engaged entirely, or almost entirely, in dealing in certain key commodities such as groceries, meat, confectionery, vegetables and so forth. The information on the cost of retailing specific commodities, as distinguished from the cost of retailing a combination of commodities generally handled by an identifiable trade, will then be available. This information is often required when the costs of marketing various commodities are under study.

Note: Definitions are given at the end of this report.

HARDWARE STORES, INDEPENDENT

This classification contains retail establishments selling mainly typical hardware lines such as builders' hardware or shelf hardware, carpenters' and mechanics' tools, etc. Other items usually include paints and varnishes in appreciable quantities and household appliances, electrical appliances, farm tools, kitchen ware, radios and sporting goods. Some farm implements may be handled. These hardware stores may also carry on certain service operations such as undertaking, tinsmithing, blacksmithing and harness and shoe repair, but these should not exceed 50 per cent of the total trade.

Over 250 usable reports were received from unincorporated businesses and incorporated companies. In the unincorporated sector, the gross profit of hardware stores increased, in 1964, to 27.45 per cent of net sales compared with 27.01 per cent in 1959. For 1961, the Census of Merchandising produced a figure of 28.9 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 6.89 per cent of net sales compared with 7.59 per cent in 1959. Delivery expense was 1.49 per cent (1.12 per cent in 1959), occupancy expenses were 5.76 per cent (5.10 per cent), office and store supplies 0.45 per cent (0.40 per cent), all other expenses 3.50 per cent (3.52 per cent). Total operating expenses were 18.09 per cent (17.73 per cent) and net operating profit, before deduction of proprietors' salaries, withdrawals, and income tax and addition of net non-trading income, was 9.36 per cent (9.28 per cent). Taking account of non-trading income and expense, net profit was 10.07 per cent of net sales in 1964 compared with 10.35 per cent in 1959. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, the gross profit of hardware stores rose to 28.19 per cent of net sales in 1964 compared to 27.86 per cent in 1959. Operating expenses decreased slightly, however, from 26.85 per cent in 1959 to 26.18 per cent in 1964. Salaries and wages, excluding the pay for delivery employees were 15.11 per cent (16.62 per cent in 1959), delivery expense was 1.17 per cent (1.01 per cent), occupancy expenses 5.20 per cent (4.68 per cent), office and store supplies 0.47 per cent (0.48 per cent), and all other expenses 4.23 per cent (4.06 per cent). Net operating profit, before adding net non-trading income and before making allowance for income tax, was 2.01 per cent of net sales (1.01 per cent). Taking account of non-trading income and expense, net profit was 2.68 per cent in 1964, compared with 1.75 per cent of net sales in 1959. In the detailed tables, also in this sector, a distinction is made between stores with owned premises and stores with rented premises.

TABLE 1. Operating Results of Independent Hardware Stores, 1954-64

Item	Unincorporated businesses					Incorporated businesses				
	1952	1954	1956	1959	1964	1952	1954	1956	1959	1964
	per cent of net sales									
Gross profit	**25.74**	**25.83**	**25.79**	**27.01**	**27.45**	**27.18**	**26.97**	**26.92**	**27.86**	**28.19**
Operating expenses:										
Employees' salaries and wages (except delivery employees)	6.84	8.09	7.26	7.59	6.89	15.58	15.70	14.38	16.62	15.11
Delivery expenses (including salaries)	1.20	1.09	1.12	1.12	1.49	1.28	1.08	1.15	1.01	1.17
Occupancy expenses	4.04	4.52	4.72	5.10	5.76	3.67	4.14	4.17	4.68	5.20
Office and store supplies	0.48	0.46	0.38	0.40	.45	0.56	0.51	0.46	0.48	.47
Advertising	0.64	0.69	0.73	0.80	.71	0.95	1.11	1.07	1.08	1.02
All other expenses	1.74	1.98	2.22	2.72	2.79	2.33	2.43	2.61	2.98	3.21
Total operating expenses	**14.94**	**16.83**	**16.43**	**17.73**	**18.09**	**24.37**	**24.97**	**23.84**	**26.85**	**26.18**
Net operating profit salaries or withdrawals (in the case of unincorporated businesses) and income tax and addition of net non-trading income	**10.80**	**9.00**	**9.36**	**9.28**	**9.36**	**2.81**	**2.00**	**3.08**	**1.01**	**2.01**

Note: These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

TABLE 2. Hardware Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of							
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total
Number of businesses reporting	4	8	4	22	37	20	4	99
Average net sales per business	7,035	15,019	25,975	41,317	74,118	133,008	212,682	85,198
Average beginning inventory	8,373	10,003	13,325	15,015	26,420	35,768	48,902	25,789
Average inventory, end of year	8,340	9,901	14,360	15,782	27,371	37,344	55,314	27,268
Average cost of goods sold	5,567	10,207	17,591	30,010	54,647	101,186	171,512	64,607
Stock turnover (times per year)	0.67	1.03	1.27	1.95	2.03	2.77	3.29	2.44
Profit and loss data (Per cent of net sales)								
Gross profit	**20.87**	**32.04**	**32.28**	**27.37**	**26.27**	**23.92**	**19.36**	**26.16**
Operating expenses:								
Employees' salaries and wages (except delivery)	.97	.12	4.32	5.43	7.49	8.00	6.03	6.20
Delivery expenses (including salaries and wages)	.45	2.43	2.53	1.07	1.03	1.90	1.56	1.54
Occupancy expenses:								
Taxes	3.38	3.32	.77	1.03	1.11	.78	.40	1.07
Insurance	1.07	1.30	.88	.68	.74	.56	.63	.72
Rent	–	–	–	–	–	–	–	–
Heat, light and power	2.61	3.00	.97	1.11	1.02	.61	.57	1.03
Repairs and maintenance	1.15	2.22	.66	.36	.55	.36	.29	.55
Depreciation allowances	–	1.76	.12	1.58	1.18	.98	1.33	1.14
Total occupancy expenses	**8.21**	**11.60**	**3.40**	**4.76**	**4.60**	**3.29**	**3.22**	**4.51**
Office and store supplies	.38	.63	.34	.60	.29	.36	.38	.41
Advertising	.26	.33	.31	.67	.74	.74	.82	.66
Net loss on bad debts	–	.03	.25	.30	.24	.24	.19	.23
All other expenses	3.29	2.69	4.13	2.30	3.27	2.06	1.75	2.66
Total operating expenses	**13.56**	**17.83**	**15.28**	**15.13**	**17.66**	**16.59**	**13.95**	**16.21**
Net operating profit	**7.31**	**14.21**	**17.00**	**12.24**	**8.61**	**7.33**	**5.41**	**9.95**
Non-trading income	1.66	2.76	.40	1.39	1.39	1.13	.25	1.21
Non-trading expense	1.25	.27	–	.62	.17	.19	–	.27
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**7.72**	**16.70**	**17.40**	**13.01**	**9.83**	**8.27**	**5.66**	**10.89**

Item	Rented premises with annual net sales of						Total owned and rented
	$10,000-19,999	$20,000-29,999	$30,000-49,999	$50,000-99,999	$100,000-199,999	Total	
Number of businesses reporting	4	6	13	28	7	59	158
Average net sales per business	16,481	25,598	38,980	72,400	142,146	70,710	79,647
Average beginning inventory	8,222	6,987	13,836	23,752	35,743	20,984	23,948
Average inventory, end of year	7,982	6,714	14,408	24,576	39,597	22,063	25,274
Average cost of goods sold	12,003	16,550	26,843	51,608	106,093	50,567	59,228
Stock turnover (times per year)	1.48	2.42	1.90	2.14	2.82	2.35	2.41
Profit and loss data (Per cent of net sales)							
Gross profit	**27.17**	**35.35**	**31.14**	**28.72**	**25.36**	**29.54**	**27.45**
Operating expenses:							
Employees' salaries and wages (except delivery)	1.65	2.54	7.31	10.09	9.02	8.01	6.89
Delivery expenses (including salaries and wages)	1.71	1.58	.93	1.18	2.44	1.40	1.49
Occupancy expenses:							
Taxes	.76	.64	.67	.43	.43	.53	.86
Insurance	1.42	.82	.63	.67	.44	.67	.70
Rent	6.38	7.82	4.85	4.04	2.80	4.61	1.77
Heat, light and power	1.02	.87	.91	.71	.75	.80	.94
Repairs and maintenance	.12	.50	.27	.29	.33	.33	.47
Depreciation allowances	1.45	.29	1.07	.73	.89	.82	1.02
Total occupancy expenses	**11.15**	**10.94**	**8.40**	**6.87**	**5.64**	**7.76**	**5.76**
Office and store supplies	.49	.21	.50	.48	.85	.51	.45
Advertising	.28	.35	.88	.77	1.05	.80	.71
Net loss on bad debts	.30	.02	.15	.26	.21	.20	.22
All other expenses	2.46	2.61	2.97	2.10	2.41	2.44	2.57
Total operating expenses	**18.04**	**18.25**	**21.14**	**21.75**	**21.62**	**21.12**	**18.09**
Net operating profit	**9.13**	**17.10**	**10.00**	**6.97**	**3.74**	**8.42**	**9.36**
Non-trading income	.06	–	.39	.46	2.82	.73	1.03
Non-trading expense	–	–	.01	–	2.49	.39	.32
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**9.19**	**17.10**	**10.38**	**7.43**	**4.07**	**8.76**	**10.07**

TABLE 3. Hardware Store, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Owned premises with annual net sales of					Rented premises with annual net sales of				Total owned and rented
	$30,000 - 49,999	$50,000 - 99,999	$100,000 - 199,999	$200,000 - 499,999	Total	$50,000 - 99,999	$100,000 - 199,999	$200,000 - 499,999	Total	
Number of businesses reporting	4	10	14	10	40	26	19	9	57	97
Average net sales per business	37,216	77,675	132,490	313,303	452,984	75,917	147,475	270,576	161,269	306,966
Average beginning inventory	22,213	24,791	41,751	73,657	110,215	26,215	38,136	61,899	41,455	75,797
Average inventory, end of year	23,012	23,768	44,803	78,393	119,542	27,818	40,854	58,316	41,566	80,511
Average cost of goods sold	26,957	55,444	96,301	230,550	325,394	52,043	107,565	194,573	115,762	220,463
Stock turnover (times per year)	1.19	2.28	2.23	3.03	2.83	1.93	2.72	3.24	2.79	2.82
Profit and loss data (Per cent of net sales)										
Gross profit	**27.57**	**28.62**	**27.31**	**26.41**	**27.62**	**31.45**	**27.06**	**28.09**	**28.76**	**28.19**
Operating expenses:										
Employees' salaries and wages (except delivery)	19.13	15.77	16.22	12.80	15.10	16.93	14.25	13.68	15.11	15.11
Delivery expenses (including salaries and wages)	1.28	1.18	1.21	1.10	1.05	1.62	1.06	1.52	1.29	1.17
Occupancy expenses:										
Taxes	1.31	.87	.91	.71	.82	.73	.42	.44	.56	.69
Insurance	.61	.64	.85	.69	.61	.69	.52	.61	.60	.60
Rent	—	—	—	—	—	4.17	2.97	3.68	3.98	1.99
Heat, light and power	1.30	.88	.79	.57	.65	.99	.74	.48	.72	.69
Repairs and maintenance	.22	.40	.29	.24	.42	.29	.28	.31	.31	.36
Depreciation allowances	.71	.78	.98	.91	.94	.86	.76	.70	.79	.87
Total occupancy expenses	**4.15**	**3.57**	**3.82**	**3.12**	**3.44**	**7.73**	**5.69**	**6.22**	**6.96**	**5.20**
Office and store supplies	.47	.37	.49	.22	.42	.61	.63	.35	.51	.47
Advertising	.73	.80	1.02	1.31	1.01	1.01	1.39	.90	1.04	1.02
Net loss on bad debts	.07	.44	.70	.65	.74	.21	.38	.37	.31	.52
All other expenses	4.16	3.02	2.68	2.78	2.61	2.54	2.28	3.12	2.77	2.69
Total operating expenses	**29.99**	**25.15**	**26.14**	**21.98**	**24.37**	**30.65**	**25.68**	**26.16**	**27.99**	**26.18**
Net operating profit	**– 2.42**	**3.47**	**1.17**	**4.43**	**3.25**	**.80**	**1.38**	**1.93**	**.77**	**2.01**
Non-trading income	1.40	1.57	.91	.65	1.09	.36	.35	1.11	.61	.85
Non-trading expense	—	—	.19	.23	.17	.10	.25	.20	.18	.18
Net profit before allowances for income tax	**– 1.02**	**5.04**	**1.89**	**4.85**	**4.17**	**1.06**	**1.48**	**2.84**	**1.20**	**2.68**

PAINT, GLASS AND WALLPAPER STORES, INDEPENDENT

Stores in this category are retail establishments selling mainly paint, glass and wallpaper and related lines such as polishes, floor waxes and occasionally mirrors and picture frames.

For the first time data were collected from independent stores operated by unincorporated businesses and incorporated companies. Thirty-five usable reports were received. The gross profit for independent, unincorporated paint, glass and wallpaper stores was 35.96 per cent of net sales in 1964. For 1961, the Census of Merchandising produced a figure of 32.6 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, excluding the pay for delivery employees, in 1964, were 8.38 per cent of net sales, delivery expense was 1.99 per cent, occupancy expenses 6.43 per cent, office and store supplies 0.57 per cent, all other expenses 4.97 per cent, making total operating expenses 22.34 per cent of net sales. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax, was 13.62 per cent. Taking account of non-trading income and expense, net profit was 14.06 per cent of net sales in 1964. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector, the gross profit for paint, glass and wallpaper stores was 36.04 per cent of net sales in 1964. Salaries and wages, excluding the pay for delivery employees were 18.25 per cent, delivery expense was 1.78 per cent, occupancy expenses 5.36 per cent, office and store supplies 0.42 per cent, all other expenses 6.33 per cent, making total operating expenses 32.14 per cent of net sales. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 3.90 per cent. Taking account of non-trading income and non-trading expense net profit was 5.64 per cent of net sales in 1964. In this sector, also in the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

TABLE 4. Paint, Glass and Wallpaper Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of under $200,000	Rented premises with annual net sales of		Total owned and rented
		$50,000 - 99,999	Total	
Number of businesses reporting	4	7	16	20
Average net sales per business	71,131	72,765	55,981	59,220
Average beginning inventory	13,035	14,978	8,602	9,550
Average inventory, end of year	17,346	17,663	9,661	11,304
Average cost of goods sold	48,739	45,799	36,807	39,358
Stock turnover (times per year)	3.21	2.81	4.03	3.77
Profit and loss data (Per cent of net sales)				
Gross profit	**31.35**	**37.06**	**37.21**	**35.96**
Operating expenses:				
Employees' salaries and wages (except delivery)	9.92	11.75	7.96	8.38
Delivery expenses (including salaries and wages)	1.95	2.65	2.00	1.99
Occupancy expenses:				
Taxes	.69	.39	.58	.60
Insurance	.56	.38	.51	.52
Rent	–	3.68	4.75	3.74
Heat, light and power	1.06	.40	.68	.76
Repairs and maintenance	.59	.28	.36	.41
Depreciation allowances	.82	.55	.29	.40
Total occupancy expenses	**3.72**	**5.68**	**7.17**	**6.43**
Office and store supplies	.69	.53	.53	.57
Advertising	1.81	1.09	1.20	1.33
Net loss on bad debts	.11	.29	.16	.15
All other expenses	2.22	2.79	3.84	3.49
Total operating expenses	**20.42**	**24.78**	**22.86**	**22.34**
Net operating profit	**10.93**	**12.28**	**14.35**	**13.62**
Non-trading income	–	.44	.63	.50
Non-trading expense	–	–	.07	.06
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**10.93**	**12.72**	**14.91**	**14.06**

TABLE 5 Paint, Glass and Wallpaper Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Owned premises with annual net sales of under $200,000	Rented premises with annual net sales of			Total owned and rented
		$50,000 - 99,999	$100,000 - 199,999	Total	
Number of businesses reporting	4	5	3	11	15
Average net sales per business	102,445	73,517	164,426	116,883	113,719
Average beginning inventory	12,352	14,762	29,625	21,016	19,117
Average inventory, end of year	15,325	15,168	39,441	24,348	22,371
Average cost of goods sold	65,371	47,408	97,920	74,995	72,886
Stock turnover (times per year)	4.72	3.17	2.84	3.31	3.51
Profit and loss data (Per cent of net sales)					
Gross profit	**36.31**	**35.51**	**40.45**	**35.96**	**36.04**
Operating expenses:					
Employees' salaries and wages (except delivery)	12.41	17.29	26.07	19.89	18.25
Delivery expenses (including salaries and wages)	2.63	1.31	2.09	1.54	1.78
Occupancy expenses:					
Taxes	1.01	.44	.31	.33	.48
Insurance	1.17	.46	.47	.48	.63
Rent	–	4.38	2.02	3.36	2.62
Heat, light and power	.75	.68	.27	.49	.55
Repairs and maintenance	.37	.35	.24	.23	.26
Depreciation allowances	1.37	.74	.33	.66	.82
Total occupancy expenses	**4.67**	**7.05**	**3.64**	**5.55**	**5.36**
Office and store supplies	.59	.15	.70	.37	.42
Advertising	.56	1.54	1.19	1.28	1.12
Net loss on bad debts	1.21	.54	2.68	1.13	1.15
All other expenses	5.39	4.35	2.37	3.69	4.06
Total operating expenses	**27.46**	**32.23**	**38.74**	**33.45**	**32.14**
Net operating profit	**8.85**	**3.28**	**1.71**	**2.51**	**3.90**
Non-trading income	1.00	.29	.18	2.33	2.04
Non-trading expense	–	–	–	.38	.30
Net profit before allowances for income tax	**9.85**	**3.57**	**1.89**	**4.46**	**5.64**

FURNITURE STORES, INDEPENDENT

The stores in this classification are retail establishments selling mainly household furniture. Other items may include home furnishings such as mattresses, floor coverings, curtains and draperies; household appliances and other electrical appliances; china and glassware; and pictures and ornaments; but furniture should constitute at least 67 per cent of the total trade.

The operating results for this trade are presented under two main categories - unincorporated businesses and incorporated companies. Over 120 usable reports were received. In the unincorporated sector , the gross profit of furniture stores decreased in 1964 to 24.64 per cent of net sales from 27.18 per cent in 1959. For 1961, the Census of Merchandising produced a figure of 30.6 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 6.83 per cent of net sales compared with 6.14 per cent in 1959. Delivery expense was 1.87 per cent (2.11 per cent in 1959), occupancy expenses were 5.15 per cent (5.52 per cent), office and store supplies 0.36 per cent (0.38 per cent), all other expenses 4.85 per cent (4.69 per cent). Total operating expenses were 19.06 per cent (18.84 per cent) and net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 5.58 per cent (8.34 per cent). Taking account of non-trading income and expense, net profit was 6.27 per cent of net sales in 1964 compared with 9.01 per cent in 1959. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, for all stores the gross profit was 29.88 per cent of net sales in 1964 compared with 26.30 per cent in 1959. Salaries and wages, in 1964, excluding the pay for delivery employees, were 13.43 per cent of net sales compared with 13.28 per cent in 1959. Delivery expense was 2.58 per cent (2.47 per cent in 1959), occupancy expenses were 5.91 per cent (5.40 per cent), office and store supplies 0.35 per cent (0.31 per cent), all other expenses 7.18 per cent (5.62 per cent). Total operating expenses were 29.45 per cent (27.08 per cent) and net operating profit, before adding net non-trading income and before making allowance for income tax, was 0.43 per cent, compared with an operating loss of 0.78 per cent in 1959. Taking account of non-trading income and expense, net profit was 2.10 per cent of net sales in 1964 as against 1.07 per cent in 1959. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

TABLE 6. Operating Results of Independent Furniture Stores, 1954 - 64

Item	Unincorporated businesses					Incorporated businesses				
	1952	1954	1956	1959	1964	1952	1954	1956	1959	1964
	per cent of net sales									
Gross profit	**27.76**	**26.88**	**26.08**	**27.18**	**24.64**	–	**28.17**	**27.95**	**26.30**	**29.88**
Operating expenses:										
Employees' salaries and wages (except delivery employees)	6.49	7.15	5.75	6.14	6.83	–	13.99	13.33	13.28	13.43
Delivery expenses (including salaries)	2.82	2.00	1.80	2.11	1.87	–	1.94	1.79	2.47	2.58
Occupancy expenses	5.13	5.27	5.40	5.52	5.15	–	4.59	4.94	5.40	5.91
Office and store supplies	0.42	0.46	0.37	0.38	.36	–	0.42	0.37	0.31	.35
Advertising	1.29	1.60	1.44	1.72	1.54	–	2.22	2.09	2.15	2.92
All other expenses	2.70	3.24	3.03	2.97	3.31	–	3.47	3.06	3.47	4.26
Total operating expenses	**18.85**	**19.72**	**17.79**	**18.84**	**19.06**	–	**26.63**	**25.58**	**27.08**	**29.45**
Net operating profit salaries or withdrawals (in the case of unincorporated businesses) and income tax and addition of net non-trading income	**8.91**	**7.16**	**8.29**	**8.34**	**5.58**	–	**1.54**	**2.37**	**0.78**[1]	**0.43**

[1] Operating loss.

Note: These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

TABLE 7. Furniture Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of					Rented premises with annual net sales of				Total owned and rented
	$30,000-49,999	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	$50,000-99,999	$100,000-199,999	$200,000-499,999	Total	
Number of businesses reporting	6	6	4	6	22	4	10	5	21	43
Average net sales per business	42,308	69,349	130,547	267,177	117,642	61,213	136,678	244,060	121,622	119,651
Average beginning inventory	11,040	15,900	26,093	38,002	22,418	12,736	28,815	40,079	23,382	22,905
Average inventory, end of year	13,074	14,301	26,976	34,322	22,024	11,222	29,781	42,362	23,689	22,865
Average cost of goods sold	30,020	50,987	97,288	228,245	91,218	46,037	101,272	189,802	91,670	91,446
Stock turnover (times per year)	2.49	3.38	3.67	6.31	4.11	3.84	3.46	4.60	3.89	4.00
Profit and loss data (Per cent of net sales)										
Gross profit	**29.04**	**26.48**	**25.47**	**14.57**	**24.78**	**24.79**	**25.90**	**22.23**	**24.50**	**24.64**
Operating expenses:										
Employees' salaries and wages (except delivery)	5.73	5.59	6.08	3.83	5.57	7.39	7.73	8.32	8.05	6.83
Delivery expenses (including salaries and wages)	2.10	2.45	2.53	1.11	2.25	1.00	1.71	1.80	1.49	1.87
Occupancy expenses:										
Taxes	1.27	2.01	.99	.21	1.25	.22	.33	.20	.26	.75
Insurance	.65	.87	.65	.40	.69	.66	.52	.45	.76	.73
Rent	—	—	—	—	—	3.75	2.84	1.71	2.82	1.42
Heat, light and power	1.10	1.22	1.01	.27	.99	.83	.73	.65	.69	.84
Repairs and maintenance	.59	.70	.85	.33	.70	.58	.28	.54	.51	.60
Depreciation allowances	1.78	.72	.66	.20	.76	.60	.58	.73	.86	.81
Total occupancy expenses	**5.39**	**5.52**	**4.16**	**1.41**	**4.39**	**6.64**	**5.28**	**4.28**	**5.90**	**5.15**
Office and store supplies	.31	.65	.40	.10	.43	.21	.31	.24	.30	.36
Advertising	.65	1.59	2.42	1.21	1.75	1.47	1.37	1.11	1.34	1.54
Net loss on bad debts	.33	.41	.18	.71	.35	.35	.28	.59	.30	.32
All other expenses	4.40	5.06	2.36	2.03	3.46	2.92	2.15	3.00	2.53	2.99
Total operating expenses	**18.91**	**21.27**	**18.13**	**10.40**	**18.20**	**19.98**	**18.83**	**19.34**	**19.91**	**19.06**
Net operating profit	**10.13**	**5.21**	**7.34**	**4.17**	**6.58**	**4.81**	**7.07**	**2.89**	**4.59**	**5.58**
Non-trading income	.02	2.19	.02	.59	.80	.82	.36	1.84	.65	.72
Non-trading expense	—	.17	—	—	.05	—	—	—	.01	.03
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**10.15**	**7.23**	**7.36**	**4.76**	**7.33**	**5.63**	**7.43**	**4.73**	**5.23**	**6.27**

TABLE 8. Furniture Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964.

Item	Owned premises with annual net sales of			Rented premises with annual net sales of						Total owned and rented
	$100,000-199,999	$200,000-499,999	Total	$50,000-99,999	$100,000-199,999	$200,000-499,999	$500,000-999,999	$1,000,000 and over	Total	
Number of businesses reporting	5	9	15	8	14	34	7	6	69	84
Average net sales per business	122,421	261,555	194,140	70,152	149,237	294,284	711,535	1,547,947	527,784	455,674
Average beginning inventory	28,286	53,873	40,159	15,958	26,464	64,689	160,422	304,306	108,765	93,937
Average inventory, end of year	27,533	57,340	41,885	16,575	30,055	70,690	150,550	325,971	113,881	98,321
Average cost of goods sold	81,267	196,381	141,566	50,074	101,834	206,413	517,538	1,045,962	365,529	317,124
Stock turnover (times per year)	2.91	3.53	3.45	3.08	3.60	3.05	3.33	3.32	3.28	3.30
Profit and loss data (Per cent of net sales)										
Gross profit	**33.62**	**24.92**	**28.52**	**28.62**	**31.76**	**29.86**	**27.26**	**32.43**	**30.26**	**29.88**
Operating expenses:										
Employees' salaries and wages (except delivery)	19.94	9.54	14.06	11.91	14.87	12.31	11.90	14.62	13.26	13.43
Delivery expenses (including salaries and wages)	1.68	2.79	2.09	2.20	2.61	2.72	2.37	3.42	2.72	2.58
Occupancy expenses:										
Taxes	1.00	.92	.95	.71	.51	.71	.82	.62	.66	.72
Insurance	.62	.61	.61	.79	.46	.42	.59	.45	.49	.52
Rent	—	—	—	4.92	3.88	4.07	3.07	3.93	3.91	3.06
Heat, light and power	.87	.60	.69	.90	.68	.69	.53	.44	.64	.65
Repairs and maintenance	.72	.35	.51	.45	.35	.52	.23	.44	.41	.43
Depreciation allowances	1.02	.70	.87	.38	.60	.45	.38	.22	.43	.53
Total occupancy expenses	**4.23**	**3.18**	**3.63**	**8.15**	**6.48**	**6.86**	**5.62**	**6.10**	**6.54**	**5.91**
Office and store supplies	.21	.38	.29	.26	.52	.23	.25	.36	.36	.35
Advertising	1.09	2.03	1.56	1.61	2.27	3.21	3.53	5.54	3.30	2.92
Net loss on bad debts	.40	.52	.44	.24	.67	.74	.77	.89	.70	.65
All other expenses	3.33	4.77	4.13	3.05	3.50	3.33	3.19	4.05	3.46	3.61
Total operating expenses	**30.88**	**23.21**	**26.20**	**27.42**	**30.92**	**29.50**	**27.63**	**34.98**	**30.34**	**29.45**
Net operating profit	**2.74**	**1.71**	**2.32**	**1.20**	**.84**	**.36**	**– .37**	**– 2.55**	**– .08**	**.43**
Non-trading income	.51	1.48	.97	.66	1.30	2.05	1.36	4.50	2.05	1.82
Non-trading expense	—	.17	.09	—	.49	.17	—	—	.17	.15
Net profit before allowances for income tax	**3.25**	**3.02**	**3.20**	**1.86**	**1.65**	**2.24**	**.99**	**1.95**	**1.80**	**2.10**

HOUSEHOLD APPLIANCE STORES, INDEPENDENT

To this category belong retail establishments selling mainly household appliances, either gas or electric. The following are some of the principal household appliances: refrigerators, stoves, washing machines, sewing machines, vacuum cleaners, mixmasters, electric irons, percolators, toasters, hot plates. Other items may include furniture and home furnishings, radios and television sets; but household appliances should constitute at least 67 per cent of the total trade. Stores specializing in the sale of portable household appliances such as toasters, electric irons, etc., and electrical supplies are not included in this classification.

Thirty-nine usable reports were received from independent household appliance stores operated by unincorporated businesses and incorporated companies. The gross profit for independent, unincorporated businesses was 30.16 per cent of net sales in 1964 compared with 29.70 per cent in 1959. For 1961, the Census of Merchandising produced a figure of 30.9 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, excluding the pay for delivery employees, as a percentage of net sales, were down from 1959 (6.97 per cent as against 9.71 per cent in 1959). Delivery expense was 1.44 per cent (2.22 per cent in 1959), occupancy expenses 4.37 per cent (5.34 per cent), office and store supplies 0.65 per cent (0.35 per cent), other expenses 5.57 per cent (4.94 per cent), making total operating expenses 19.00 per cent of net sales in 1964 as against 22.56 per cent in 1959. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 11.16 per cent (7.14 per cent). Taking account of non-trading income and expense, net profit was 11.53 per cent of net sales compared with 8.54 per cent in 1959. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

The gross profit for household appliance stores operated by incorporated companies was 26.57 per cent of net sales in 1964 compared with 25.32 per cent in 1959. Salaries and wages, excluding the pay for delivery employees were 13.33 per cent (13.18 per cent in 1959), delivery expense was 1.81 per cent (1.87 per cent), occupancy expenses 3.91 per cent (3.73 per cent), office and store supplies 0.39 per cent (0.39 per cent), all other expenses 4.13 per cent (5.11 per cent), making total operating expenses 23.57 per cent (24.28 per cent). Net operating profit before adding net non-trading income and before making allowance for income tax, was 3.00 per cent (1.04 per cent in 1959). The addition for net non-trading income was 0.51 per cent in 1964 compared with 0.94 per cent in 1959. A distinction is made in this category also between stores with owned premises and stores with rented premises.

TABLE 9. Operating Results of Independent Household Appliance Stores, 1954-64

Item	Unincorporated businesses					Incorporated businesses (Rented premises only)				
	1952	1954	1956	1959	1964	1952	1954	1956	1959	1964
	per cent of net sales									
Gross profit	**26.36**	**26.07**	**25.62**	**29.70**	**30.16**	–	**26.35**	**25.50**	**25.32**	**26.57**
Operating expenses:										
Employees' salaries and wages (except delivery employees)	8.72	8.86	7.59	9.71	6.97	–	13.98	12.75	13.18	13.33
Delivery expenses (including salaries)	2.19	2.06	1.68	2.22	1.44	–	1.66	1.93	1.87	1.81
Occupancy expenses	3.49	4.18	4.42	5.34	4.37	–	3.70	3.64	3.73	3.91
Office and store supplies	0.34	0.53	0.43	0.35	0.65	–	0.52	0.39	0.39	0.39
Advertising	1.70	1.46	1.41	1.33	1.64	–	2.33	1.99	1.68	1.41
All other expenses	2.15	2.37	2.74	3.61	3.93	–	2.42	2.52	3.43	2.72
Total operating expenses	**18.59**	**19.46**	**18.27**	**22.56**	**19.00**	–	**24.61**	**23.22**	**24.28**	**23.57**
Net operating profit salaries or withdrawals (in the case of unincorporated businesses) and income tax and addition of net non-trading income	**7.77**	**6.61**	**7.35**	**7.14**	**11.16**	–	**1.74**	**2.28**	**1.04**	**3.00**

Note: These ratios are "weighted" according to the Census weights of the different sales sizes for independent stores.

TABLE 10. Household Appliance Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of			Rented premises with annual net sales of		Total owned and rented
	$50,000-99,999	$200,000-499,999	Total	$50,000-99,999	Total	
Number of businesses reporting	4	3	8	6	9	17
Average net sales per business	82,599	325,557	122,105	63,329	83,804	98,910
Average beginning inventory	15,534	44,336	20,225	12,758	14,461	16,734
Average inventory, end of year	16,807	48,100	21,859	11,920	13,577	16,844
Average cost of goods sold	62,679	259,514	95,434	40,128	54,862	70,864
Stock turnover (times per year)	3.88	5.61	4.54	3.25	3.91	4.22
Profit and loss data (Per cent of net sales)						
Gross profit	**24.12**	**20.29**	**22.57**	**36.64**	**35.10**	**30.16**
Operating expenses:						
Employees' salaries and wages (except delivery)	3.67	3.81	3.62	9.16	9.16	6.97
Delivery expenses (including salaries and wages)	.85	1.49	.82	1.60	1.85	1.44
Occupancy expenses:						
Taxes	.97	.28	.81	.28	.26	.48
Insurance	.96	.33	.84	.55	.44	.60
Rent	—	—	—	2.69	2.33	1.41
Heat, light and power	.58	.37	.69	.19	.28	.44
Repair and maintenance	.58	.21	.39	.24	.25	.31
Depreciation allowances	1.50	.56	1.69	.77	.77	1.13
Total occupancy expenses	**4.59**	**1.75**	**4.42**	**4.72**	**4.33**	**4.37**
Office and store supplies	.33	.16	.23	.66	.92	.65
Advertising	1.31	.71	1.10	1.20	1.99	1.64
Net loss on bad debts	.12	1.69	.42	.51	.30	.35
All other expenses	2.55	1.97	3.21	3.78	3.83	3.58
Total operating expenses	**13.42**	**11.58**	**13.82**	**21.63**	**22.38**	**19.00**
Net operating profit	**10.70**	**8.71**	**8.75**	**15.01**	**12.72**	**11.16**
Non-trading income	1.35	.19	.85	—	.13	.41
Non-trading expense	—	—	—	—	.07	.04
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**12.05**	**8.90**	**9.60**	**15.01**	**12.78**	**11.53**

TABLE 11. Household Appliance Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Rented premises with annual net sales of			
	$100,000-199,999	$200,000-499,999	$500,000-999,999	Total
Number of businesses reporting	8	8	5	22
Average net sales per business	137,038	285,526	761,633	298,404
Average beginning inventory	23,072	47,378	137,510	50,892
Average inventory, end of year	23,735	53,132	142,032	54,690
Average cost of goods sold	94,383	214,494	623,656	229,722
Stock turnover (times per year)	4.03	4.27	4.46	4.35
Profit and loss data (Per cent of net sales)				
Gross profit	**31.12**	**24.88**	**18.12**	**26.57**
Operating expenses:				
Employees' salaries and wages (except delivery)	17.08	12.68	7.77	13.33
Delivery expenses (including salaries and wages)	2.16	1.68	1.86	1.81
Occupancy expenses:				
Taxes	.36	.26	.21	.32
Insurance	.44	.37	.27	.35
Rent	2.69	1.44	1.60	1.85
Heat, light and power	.53	.37	.16	.40
Repairs and maintenance	.37	.06	.28	.25
Depreciation allowances	1.14	.63	.08	.74
Total occupancy expenses	**5.53**	**3.13**	**2.60**	**3.91**
Office and store supplies	.35	.52	.22	.39
Advertising	1.27	.95	2.48	1.41
Net loss on bad debts	.94	.15	.06	.36
All other expenses	3.14	2.59	1.59	2.36
Total operating expenses	**30.47**	**21.70**	**16.58**	**23.57**
Net operating profit	**.65**	**3.18**	**1.54**	**3.00**
Non-trading income	.28	.88	.42	.53
Non-trading expense	.06	—	.03	.02
Net profit before allowances for income tax	**.87**	**4.06**	**1.93**	**3.51**

TELEVISION SALES AND SERVICE SHOPS, INDEPENDENT

To this category belong retail establishments primarily engaged in television sales and service. Businesses may include sales and service of radios, tape-recorders, record players and other like electronic equipment. The receipts from the sales of television sets must be at least 51 per cent of total revenue.

For the first time data were collected from independent television sales and service shops operated by unincorporated businesses and incorporated companies. Over forty usable reports were received. The gross profit for independent, unincorporated television sales and service shops was 38.93 per cent in 1964. For 1961, the Census of Merchandising produced a figure of 37.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, excluding the pay for delivery employees, in 1964, were 7.90 per cent, of net sales, delivery expense was 2.63 per cent, occupancy expenses 7.61 per cent, office and store supplies 0.36 per cent, all other expenses 6.05 per cent, making total operating expenses 24.55 per cent. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax, was 14.38 per cent. Taking account of non-trading income and expense, net profit was 16.09 per cent of net sales in 1964. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated sector of the trade, the gross profit for television sales and service shops was 30.92 per cent. Salaries and wages, excluding the pay for delivery employees were 17.66 per cent, delivery expense was 1.62 per cent, occupancy expenses 4.37 per cent, office and store supplies 0.48 per cent, all other expenses 4.97 per cent, making total operating expenses 29.10 per cent of net sales. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 1.82 per cent. Taking account of non-trading income and non-trading expense, net profit was 2.31 per cent in 1964. Reports were received only from stores with rented premises.

TABLE 12. Television Sales and Service Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of				
	$10,000 - 19,999	$20,000 - 29,999	$50,000 - 99,999	$100,000 - 199,999	Total
Number of businesses reporting	3	4	3	4	16
Average net sales per business	12,561	26,452	55,770	139,211	45,140
Average beginning inventory	4,817	5,396	7,577	18,202	10,140
Average inventory, end of year	5,368	6,552	6,932	27,820	10,409
Average cost of goods sold	7,569	16,182	40,322	84,210	29,742
Stock turnover (times per year)	1.49	2.71	5.56	3.66	2.89
Profit and loss data (Per cent of net sales)					
Gross profit	**39.74**	**38.83**	**27.70**	**39.51**	**34.71**
Operating expenses:					
Employees' salaries and wages (except delivery)	.68	7.12	4.81	15.88	7.11
Delivery expenses (including salaries and wages)	5.13	4.34	.99	1.68	2.86
Occupancy expenses:					
Taxes	1.85	2.32	.70	.51	1.28
Insurance	1.71	.91	.86	.78	1.09
Rent	—	—	—	—	—
Heat, light and power	2.08	1.17	.60	.60	1.02
Repairs and maintenance	.75	—	.55	.28	.54
Depreciation allowances	4.03	1.99	1.56	3.56	2.75
Total occupancy expenses	**10.42**	**6.39**	**4.27**	**5.73**	**6.68**
Office and store supplies	.19	.33	.43	.49	.26
Advertising	.14	1.05	1.40	2.46	1.09
Net loss on bad debts	.44	.05	.12	.16	.33
All other expenses	8.29	5.36	3.97	4.73	5.36
Total operating expenses	**25.29**	**24.64**	**15.99**	**31.13**	**23.69**
Net operating profit	**14.45**	**14.19**	**11.71**	**8.38**	**11.02**
Non-trading income	35.32	.93	.43	.78	7.96
Non-trading expense	27.54	—	.07	.07	5.65
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**22.23**	**15.12**	**12.07**	**9.09**	**13.33**

TABLE 13. Television Sales and Service Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964 – Concluded

Item	Rented premises with annual net sales of					Total owned and rented
	$10,000 - 19,999	$20,000 - 29,999	$30,000 - 49,999	$50,000 - 99,999	Total	
Number of businesses reporting	5	5	7	3	20	36
Average net sales per business	13,756	24,700	33,871	68,940	36,530	40,013
Average beginning inventory	3,007	4,817	4,732	14,023	6,675	8,077
Average inventory, end of year	2,752	4,949	5,275	18,129	7,844	8,882
Average cost of goods sold	8,366	15,135	19,680	36,980	20,709	24,363
Stock turnover (times per year)	2.90	3.10	3.93	2.30	2.85	2.87
Profit and loss data (Per cent of net sales)						
Gross profit	**39.18**	**38.73**	**41.90**	**46.36**	**41.79**	**38.93**
Operating expenses:						
Employees' salaries and wages (except delivery)	.09	6.19	6.26	20.29	8.44	7.90
Delivery expenses (including salaries and wages)	2.94	1.52	2.80	2.41	2.47	2.63
Occupancy expenses:						
Taxes	.69	.25	.42	.22	.39	.75
Insurance	.78	.57	.64	1.42	.84	.94
Rent	6.36	4.06	2.53	2.27	3.55	2.11
Heat, light and power	1.29	1.09	.91	.64	.96	.99
Repairs and maintenance	.47	.21	.25	.76	.41	.46
Depreciation allowances	3.18	1.30	2.31	1.61	2.10	2.36
Total occupancy expenses	**12.77**	**7.48**	**7.06**	**6.92**	**8.25**	**7.61**
Office and store supplies	.68	.43	.24	.48	.43	.36
Advertising	1.86	.85	1.00	1.73	1.32	1.23
Net loss on bad debts	.38	.53	.50	.15	.40	.37
All other expenses	2.68	5.48	2.47	5.31	3.82	4.45
Total operating expenses	**21.40**	**22.48**	**20.33**	**37.29**	**25.13**	**24.55**
Net operating profit	**17.78**	**16.25**	**21.57**	**9.07**	**16.66**	**14.38**
Non-trading income	.10	5.02	.10	1.07	1.35	4.02
Non-trading expense	–	–	.14	–	.05	2.31
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**17.88**	**21.27**	**21.53**	**10.14**	**17.96**	**16.09**

TABLE 14. Television Sales and Service Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Rented premises with annual net sales of		
	$50,000 - 99,999	$100,000 - 199,999	Total
Number of businesses reporting	4	3	9
Average net sales per business	83,895	130,386	133,276
Average beginning inventory	15,644	22,783	23,069
Average inventory, end of year	14,594	15,283	23,504
Average cost of goods sold	54,776	93,152	94,927
Stock turnover (times per year)	3.62	4.89	4.08
Profit and loss data (Per cent of net sales)			
Gross profit	**34.71**	**28.56**	**30.92**
Operating expenses:			
Employees' salaries and wages (except delivery)	19.05	17.65	17.66
Delivery expenses (including salaries and wages)	1.47	1.73	1.62
Occupancy expenses:			
Taxes	.24	.32	.23
Insurance	.58	.36	.39
Rent	2.23	2.53	2.22
Heat, light and power	.73	.51	.54
Repairs and maintenance	.33	.53	.42
Depreciation allowances	.64	.11	.57
Total occupancy expenses	**4.75**	**4.36**	**4.37**
Office and store supplies	.70	.23	.48
Advertising	2.20	2.14	2.21
Net loss on bad debts	1.81	.53	.80
All other expenses	1.63	2.30	1.96
Total operating expenses	**31.61**	**28.94**	**29.10**
Net operating profit	**3.10**	**– .38**	**1.82**
Non-trading income	.61	.06	.53
Non-trading expense	–	.11	.04
Net profit before allowances for income tax	**3.71**	**– .43**	**2.31**

FURNITURE, TELEVISION, RADIO AND APPLIANCE STORES, INDEPENDENT

Stores in this category are retail establishments selling a combination of two or more of the lines of furniture and home furnishings; household appliances; and radios and television sets, including pianos and musical instruments; but no one line should constitute 67 per cent of the total trade.

For the first time data were collected from independent furniture, television, radio and appliance stores, operated by unincorporated businesses and incorporated companies. Over 60 usable reports were received. The gross profit for independent, unincorporated businesses was 28.25 per cent of net sales in 1964. The 1961 gross profit figure shown by the Census of Merchandising of that year was 26.4 per cent (see 1961 Census Bulletin 6.1-5) but this was for all furniture, television, radio and appliance stores, including chains and stores operated by incorporated companies. Salaries and wages, in 1964, excluding the pay for delivery employees, were 10.82 per cent of net sales. Delivery expense was 2.18 per cent, occupancy expenses were 5.26 per cent, office and store supplies 0.55 per cent, all other expenses 3.81 per cent. Total operating expenses were 22.62 per cent and net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 5.63 per cent. Taking account of non-trading income and expense, net profit was 6.98 per cent of net sales in 1964. In the detailed tables there is a distinction made between stores with owned premises and stores with rented premises.

In the incorporated category of the trade, the gross profit of furniture, television, radio and appliance stores was 28.03 per cent of net sales. Salaries and wages, excluding the pay for delivery employees were 12.74 per cent. Delivery expense was 2.80 per cent, occupancy expenses 4.89 per cent, office and store supplies 0.30 per cent, all other expenses 6.01 per cent, making total operating expenses 26.74 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 1.29 per cent. Taking account of non-trading income and expense, net profit was 2.76 per cent of net sales in 1964. In the detailed tables also in this sector, a distinction is made between stores with owned premises and stores with rented premises. It should be pointed out that among twelve firms reporting having owned premises, there is one large company which showed an unusual increase in inventory during the year. This respondent also reported having some rented premises.

TABLE 14. Furniture, Television, Radio and Appliance Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Owned premises with annual net sales of		Rented premises with annual net sales of under $500,000	Total owned and rented
	$50,000 - 99,999	Total		
Number of businesses reporting	4	8	7	15
Average net sales per business	64,398	131,118	180,512	155,960
Average beginning inventory	14,386	38,059	38,941	38,503
Average inventory, end of year	13,251	37,870	39,021	38,449
Average cost of goods sold	46,930	94,535	132,226	113,491
Stock turnover (times per year)	3.40	2.49	3.39	2.95
Profit and loss data (Per cent of net sales)				
Gross profit	**27.12**	**29.77**	**26.75**	**28.25**
Operating expenses:				
Employees' salaries and wages (except delivery)	14.05	13.34	8.33	10.82
Delivery expenses (including salaries and wages)	2.06	2.14	2.22	2.18
Occupancy expenses:				
Taxes	.99	1.27	.40	.83
Insurance	.74	1.02	.49	.75
Rent	–	–	2.87	1.44
Heat, light and power	.97	.92	.56	.74
Repairs and maintenance	.86	.57	.08	.33
Depreciation allowances	.89	1.83	.51	1.17
Total occupancy expenses	**4.45**	**5.61**	**4.91**	**5.26**
Office and store supplies	.26	.51	.59	.55
Advertising	.74	.82	2.23	1.53
Net loss on bad debts	.12	.30	.16	.23
All other expenses	2.87	2.33	1.77	2.05
Total operating expenses	**24.55**	**25.05**	**20.21**	**22.62**
Net operating profit	**2.57**	**4.72**	**6.54**	**5.63**
Non-trading income	3.16	2.29	.89	1.59
Non-trading expense	.16	.38	.11	.24
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**5.57**	**6.63**	**7.32**	**6.98**

TABLE 15. Furniture, Television, Radio and Appliance Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964.

Item	Owned premises with annual net sales of			Rented premises with annual net sales of				Total owned and rented
	$100,000-199,999	$200,000-499,999	Total	$100,000-199,999	$200,000-499,999	$500,000-999,999	Total	
Number of businesses reporting	5	5	12	14	12	6	35	47
Average net sales per business	138,603	262,053	341,426	133,906	341,028	667,835	375,830	364,392
Average beginning inventory	26,971	57,070	62,524	42,363	70,882	136,465	81,143	74,953
Average inventory, end of year	28,565	69,453	80,474	42,005	71,046	155,180	86,234	84,319
Average cost of goods sold	101,197	186,762	244,908	92,685	252,377	485,111	274,045	264,358
Stock turnover (times per year)	3.64	2.95	3.43	2.20	3.56	3.33	3.27	3.32
Profit and loss data (Per cent of net sales)								
Gross profit	**26.98**	**28.73**	**28.85**	**30.78**	**25.99**	**27.36**	**27.62**	**28.03**
Operating expenses:								
Employees' salaries and wages (except delivery)	10.30	13.93	13.30	14.30	11.50	12.07	12.46	12.74
Delivery expenses (including salaries and wages)	2.15	2.78	2.38	3.48	2.69	3.18	3.01	2.80
Occupancy expenses:								
Taxes	.57	.98	.83	.59	.29	.23	.35	.51
Insurance	.38	.63	.55	.40	.41	.42	.42	.46
Rent	—	—	.25	3.87	2.56	3.38	3.13	2.17
Heat, light and power	.54	.58	.68	.73	.48	.60	.57	.60
Repairs and maintenance	.35	.53	.64	.35	.36	.67	.44	.51
Depreciation allowances	.62	.82	.87	.39	.52	.59	.51	.64
Total occupancy expenses	**2.46**	**3.54**	**3.82**	**6.33**	**4.62**	**5.89**	**5.42**	**4.89**
Office and store supplies	.22	.35	.25	.33	.36	.27	.34	.30
Advertising	1.91	1.11	1.46	1.97	1.86	2.69	2.09	1.88
Net loss on bad debts	.75	.39	.50	.46	.86	.73	.73	.66
All other expenses	4.37	3.17	3.80	4.36	2.74	3.27	3.31	3.47
Total operating expenses	**22.16**	**25.27**	**25.51**	**31.23**	**24.63**	**28.10**	**27.36**	**26.74**
Net operating profit	**4.82**	**3.46**	**3.34**	**– .45**	**1.36**	**– .74**	**.26**	**1.29**
Non-trading income	1.05	.34	.58	1.61	1.93	3.67	2.37	1.77
Non-trading expense	.49	.06	.12	—	.70	—	.39	.30
Net profit before allowances for income tax	**5.38**	**3.74**	**3.80**	**1.16**	**2.59**	**2.93**	**2.24**	**2.76**

TELEVISION AND RADIO REPAIR SHOPS, INDEPENDENT

Shops in this category are retail establishments mainly engaged in the repair and service of television sets. There may also be repairs and service of radios, record players and tape-recorders. Sales and rentals of these commodity lines are often included; but the repair and service receipts should constitute at least 51 per cent of total receipts.

For the first time data were collected from independent television and radio repair shops operated by unincorporated businesses and incorporated companies. Fifty-eight usable reports were received. The gross profit for independent, unincorporated businesses was 52.30 per cent of net sales in 1964. For 1961, the Census of Merchandising produced a figure of 50.6 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 12.32 per cent of net sales. Delivery expense was 4.67 per cent, occupancy expenses were 8.56 per cent, office and store supplies 0.31 per cent, all other expenses 5.89 per cent, making total operating expenses 31.75 per cent. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 20.55 per cent. Taking account of non-trading income and expense, net profit was 21.09 per cent of net sales in 1964. In the detailed tables there is a distinction made between shops with owned premises and shops with rented premises.

In the incorporated sector of the trade, the gross profit of television and radio repair shops was 51.86 per cent. Salaries and wages, excluding the pay for delivery employees, were 32.05 per cent of net sales. Delivery expense was 2.69 per cent, occupancy expenses were 5.93 per cent, office and store supplies 0.47 per cent, all other expenses 5.97 per cent, making total operating expenses 47.11 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 4.75 per cent. Non-trading income was 0.26 per cent. Reports were received only from shops with rented premises.

TABLE 16. Television and Radio Repair Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964.

Item	Owned premises with annual net sales of				
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	Total
Number of businesses reporting	7	6	3	3	21
Average net sales per business	4,554	14,386	24,567	32,580	23,410
Average beginning inventory	686	2,481	1,576	4,589	2,706
Average inventory, end of year	666	2,672	1,444	3,752	3,333
Average cost of goods sold	2,081	8,232	8,604	17,552	11,965
Stock turnover (times per year)	3.08	3.20	5.70	4.21	3.96
Profit and loss data (Per cent of net sales)					
Gross profit	**54.31**	**42.78**	**64.98**	**46.12**	**50.43**
Operating expenses:					
Employees' salaries and wages (except delivery)	.27	.46	19.69	20.10	9.24
Delivery expenses (including salaries and wages)	6.83	4.84	6.73	4.40	5.20
Occupancy expenses:					
Taxes	1.56	1.02	.68	.70	1.03
Insurance	1.04	1.59	1.09	.86	1.10
Rent	–	–	–	–	–
Heat, light and power	2.65	1.77	1.11	1.71	1.79
Repairs and maintenance	1.56	1.77	1.17	.40	1.18
Depreciation allowances	1.66	2.13	1.62	1.55	1.88
Total occupancy expenses	**8.47**	**8.28**	**5.67**	**5.22**	**6.98**
Office and store supplies	.39	.15	.66	.39	.34
Advertising	.87	.75	1.53	.99	1.13
Net loss on bad debts	.13	.89	.15	.61	.50
All other expenses	4.26	3.59	4.51	5.09	4.15
Total operating expenses	**21.22**	**18.96**	**38.94**	**36.80**	**27.54**
Net operating profit	**33.09**	**23.82**	**26.04**	**9.32**	**22.89**
Non-trading income	–	1.20	8.28	3.91	2.67
Non-trading expense	–	.97	6.74	–	1.58
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**33.09**	**24.05**	**27.58**	**13.23**	**23.98**

Item	Rented premises with annual net sales of					Total owned and rented
	Under $10,000	$10,000-19,999	$20,000-29,999	$30,000-49,999	Total	
Number of businesses reporting	6	5	5	3	21	42
Average net sales per business	5,868	14,942	24,128	38,121	33,900	30,023
Average beginning inventory	866	3,946	3,046	5,931	3,880	3,446
Average inventory, end of year	878	3,889	3,088	6,635	4,149	3,847
Average cost of goods sold	2,239	6,196	9,382	21,012	17,330	15,347
Stock turnover (times per year)	2.57	1.58	3.06	3.34	4.32	4.21
Profit and loss data (Per cent of net sales)						
Gross profit	**61.84**	**58.53**	**61.12**	**44.88**	**53.40**	**52.30**
Operating expenses:						
Employees' salaries and wages (except delivery)	.54	10.50	21.32	14.17	14.13	12.32
Delivery expenses (including salaries and wages)	4.17	3.24	5.52	6.38	4.36	4.67
Occupancy expenses:						
Taxes	1.28	1.20	.57	.27	.66	.80
Insurance	.49	1.31	1.04	1.08	.90	.97
Rent	8.01	7.63	3.98	3.14	4.92	3.10
Heat, light and power	2.05	1.31	.51	.74	.93	1.25
Repairs and maintenance	.23	.39	1.41	.31	.48	.74
Depreciation allowances	.99	2.15	2.10	.72	1.59	1.70
Total occupancy expenses	**13.05**	**13.99**	**9.61**	**6.26**	**9.48**	**8.56**
Office and store supplies	.34	.39	.47	.26	.29	.31
Advertising	2.43	1.86	1.08	.91	1.49	1.36
Net loss on bad debts	.51	.65	1.98	.40	.72	.64
All other expenses	5.34	3.21	3.17	3.38	3.75	3.89
Total operating expenses	**26.38**	**33.84**	**43.15**	**31.76**	**34.22**	**31.75**
Net operating profit	**35.46**	**24.69**	**17.97**	**13.12**	**19.18**	**20.55**
Non-trading income	–	–	.75	.33	.22	1.12
Non-trading expense	–	–	–	–	–	.58
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**35.46**	**24.69**	**18.72**	**13.45**	**19.40**	**21.09**

TABLE 17. Television and Radio Repair Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Rented premises with annual net sales of		
	$30,000-49,999	$50,000-99,999	Total
Number of businesses reporting	5	9	16
Average net sales per business	45,180	71,535	72,580
Average beginning inventory	7,459	10,203	11,067
Average inventory, end of year	7,800	10,938	10,768
Average cost of goods sold	19,547	33,132	36,398
Stock turnover (times per year)	2.56	3.13	3.33
Profit and loss data (Per cent of net sales)			
Gross profit	**56.73**	**53.68**	**51.86**
Operating expenses:			
Employees' salaries and wages (except delivery)	37.74	33.91	32.05
Delivery expenses (including salaries and wages)	2.75	2.22	2.69
Occupancy expenses:			
Taxes	.57	.18	.30
Insurance	.51	.74	.53
Rent	5.17	2.06	3.37
Heat, light and power	.96	.55	.72
Repairs and maintenance	.50	.10	.17
Depreciation allowances	1.05	1.01	.84
Total occupancy expenses	**8.76**	**4.64**	**5.93**
Office and store supplies	.33	.49	.47
Advertising	1.40	1.94	1.79
Net loss on bad debts	.78	.14	.82
All other expenses	2.90	4.01	3.36
Total operating expenses	**54.66**	**47.35**	**47.11**
Net operating profit	**2.07**	**6.33**	**4.75**
Non-trading income	—	.36	.26
Non-trading expense	—	—	—
Net profit before allowances for income tax	**2.07**	**6.69**	**5.01**

HOUSEHOLD APPLIANCE REPAIR SHOPS, INDEPENDENT

To this category belong retail establishments engaged in the repair and service of household appliances such as washing machines, refrigerators and vacuum cleaners. There may also be repairs of household electrical equipment such as radios, television sets and record players; but this should not constitute more than 33 per cent of total receipts.

For the first time data were collected from household appliances repair shops operated by unincorporated businesses. For all stores the gross profit was 54.14 per cent of net sales in 1964. For 1961, the Census of Merchandising produced a figure of 53.1 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 12.27 per cent of net sales, delivery expense was 2.04 per cent, occupancy expenses were 6.67 per cent, office and store supplies 1.36 per cent, all other expenses 7.13 per cent, making total operating expenses 29.47 per cent. Net operating profit, before deduction of proprietors' salaries, withdrawals and income tax and addition of net non-trading income, was 24.67 per cent. Taking account of non-trading income and expense, net profit was 24.97 per cent of net sales in 1964.

TABLE 18. Household Appliance Repair Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Total all sizes
Number of businesses reporting	4
Average net sales per business	71,552
Average beginning inventory	8,637
Average inventory, end of year	9,479
Average cost of goods sold	30,573
Stock turnover (times per year)	3.38
Profit and loss data (Per cent of net sales)	
Gross profit	**54.14**
Operating expenses:	
Employees' salaries and wages (except delivery)	12.27
Delivery expenses (including salaries and wages)	2.04
Occupancy expenses:	
Taxes	1.53
Insurance	.77
Rent	–
Heat, light and power	1.38
Repairs and maintenance	.70
Depreciation allowances	2.29
Total occupancy expenses	**6.67**
Office and store supplies	1.36
Advertising	1.21
Net loss on bad debts	.25
All other expenses	5.67
Total operating expenses	**29.47**
Net operating profit	**24.67**
Non-trading income	2.67
Non-trading expense	2.37
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**24.97**

FLOOR COVERINGS, CURTAINS, UPHOLSTERY AND INTERIOR DECORATION STORES, INDEPENDENT

This classification contains stores selling mainly, either singly or in combination, any of the following lines: floor coverings such as rugs, carpets, linoleums and other related lines; curtains and draperies; upholstery; mattresses and cushions; and lamp shades, brasswork, blinds, etc.

For the first time data were collected from independent stores operated by unincorporated businesses and incorporated companies. Twenty-seven usable reports were received from floor coverings, curtains, upholstery and interior decoration stores. The gross profit for independent, unincorporated businesses was 36.07 per cent of net sales in 1964. For 1961, the Census of Merchandising produced a figure of 39.5 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, in 1964, excluding the pay for delivery employees, were 10.05 per cent of net sales. Delivery expense was 1.39 per cent, occupancy expenses were 8.75 per cent, office and store supplies 0.44 per cent, all other expenses 5.52 per cent, making total operating expenses 26.15 per cent. Net operating profit was 9.92 per cent. After adding non-trading income net profit before deduction of proprietors' salaries, withdrawals and income tax was 9.95 per cent of net sales.

In the incorporated sector of the trade, the gross profit was 35.59 per cent of net sales in 1964. Salaries and wages, excluding the pay for delivery employees, were 20.75 per cent, delivery expense was 1.76 per cent, occupancy expenses 3.87 per cent, office and store supplies 0.35 per cent, all other expenses 5.32 per cent, making total operating expenses 32.05 per cent. Net operating profit, before adding net non-trading income and before making allowance for income tax, was 3.54 per cent of net sales in 1964. Taking account of non-trading income and non-trading expense net profit was 3.73 per cent. In the detailed tables, there is a distinction made between stores with owned premises and stores with rented premises.

TABLE 19. Floor Coverings, Curtains, Upholstery and Interior Decoration Stores, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Total		
	$50,000-99,999	$100,000-199,999	Total
Number of businesses reporting	4	6	10
Average net sales per business	63,062	141,335	100,801
Average beginning inventory	13,475	28,564	20,750
Average inventory, end of year	13,550	28,181	20,604
Average cost of goods sold	40,148	90,776	64,558
Stock turnover (times per year)	2.97	3.20	3.12
Profit and loss data (Per cent of net sales)			
Gross profit	**36.34**	**35.77**	**36.07**
Operating expenses:			
Employees' salaries and wages (except delivery)	10.31	9.76	10.05
Delivery expenses (including salaries and wages)	1.09	1.72	1.39
Occupancy expenses:			
Taxes	.76	.47	.62
Insurance	.63	.77	.70
Rent	7.30	3.92	5.67
Heat, light and power	.49	.60	.54
Repairs and maintenance	.56	.52	.54
Depreciation allowances	.79	.56	.68
Total occupancy expenses	**10.53**	**6.84**	**8.75**
Office and store supplies	.57	.30	.44
Advertising	1.88	1.70	1.79
Net loss on bad debts	.07	.13	.10
All other expenses	2.97	4.33	3.63
Total operating expenses	**27.42**	**24.78**	**26.15**
Net operating profit	8.92	10.99	9.92
Non-trading income	.01	.06	.03
Non-trading expense	–	–	–
Net profit-before deduction of proprietors' salaries, withdrawals and income tax	**8.93**	**11.05**	**9.95**

TABLE 20. Floor Coverings, Curtains, Upholstery and Interior Decoration Stores, Independent Operating Results by Annual Sales Volume and Type of Occupancy (Incorporated Companies), 1964

Item	Owned premises with annual net sales of $100,000 and over	Rented premises with annual net sales of			Total owned and rented
		$50,000-99,999	$200,000-499,999	Total	
Number of businesses reporting	4	3	8	13	17
Average net sales per business	395,016	65,230	272,700	224,917	257,852
Average beginning inventory	68,225	12,341	35,056	37,609	43,537
Average inventory, end of year	68,729	13,142	40,346	42,459	47,545
Average cost of goods sold	249,213	39,991	177,958	146,013	165,995
Stock turnover (times per year)	3.64	3.14	4.72	3.65	3.64
Profit and loss data (Per cent of net sales)					
Gross profit	**36.04**	**38.69**	**34.74**	**35.48**	**35.59**
Operating expenses:					
Employees' salaries and wages (except delivery)	21.14	17.34	19.44	20.65	20.75
Delivery expenses (including salaries and wages)	1.24	1.79	1.79	1.89	1.76
Occupancy expenses:					
Taxes	.55	.35	.33	.29	.34
Insurance	.36	.62	.25	.36	.36
Rent	–	3.73	2.53	2.51	2.02
Heat, light and power	.52	.40	.30	.43	.45
Repairs and maintenance	.54	.16	.20	.27	.32
Depreciation allowances	.85	.11	.43	.27	.38
Total occupancy expenses	**2.82**	**5.37**	**4.04**	**4.13**	**3.87**
Office and store supplies	.32	.25	.39	.36	.35
Advertising	1.45	1.13	1.94	1.57	1.55
Net loss on bad debts	.60	.19	.72	.88	.83
All other expenses	3.89	2.99	2.74	2.71	2.94
Total operating expenses	**31.46**	**29.06**	**31.06**	**32.19**	**32.05**
Net operating profit	**4.58**	**9.63**	**3.68**	**3.29**	**3.54**
Non-trading income	.48	.02	.39	.22	.27
Non-trading expense	.06	.23	.11	.09	.08
Net profit before allowances for income tax	**5.00**	**9.42**	**3.96**	**3.42**	**3.73**

ANTIQUE SHOPS, INDEPENDENT

To this classification belong retail establishments selling mainly antiques.

For the first time stores operated by unincorporated businesses were surveyed. Usable reports were received from three businesses. The gross profit for independent unincorporated businesses was 34.63 per cent of net sales in 1964. For 1961, the Census of Merchandising produced a figure of 43.0 per cent but this calculation included the data from incorporated companies and chain stores. Salaries and wages, excluding the pay for delivery employees were 1.17 per cent, delivery expense was 2.02 per cent, occupancy expenses 9.89 per cent, office and store supplies 0.42 per cent, all other expenses 4.99 per cent, making total operating expenses 18.49 per cent of net sales. Net operating profit before deduction of proprietors' salaries, withdrawals and income tax, was 16.14 per cent in 1964.

TABLE 21. Antique Shops, Independent, Operating Results by Annual Sales Volume and Type of Occupancy (Unincorporated Businesses), 1964

Item	Total all sizes
Number of businesses reporting	3
Average net sales per business	46,823
Average beginning inventory	13,437
Average inventory, end of year	13,952
Average cost of goods sold	29,689
Stock turnover (times per year)	2.17
Profit and loss data (Per cent of net sales)	
Gross profit	**34.63**
Operating expenses:	
Employees' salaries and wages (except delivery)	1.17
Delivery expenses (including salaries and wages)	2.02
Occupancy expenses:	
Taxes	.30
Insurance	.35
Rent	6.98
Heat, light and power	1.66
Repairs and maintenance	.59
Depreciation allowances	.01
Total occupancy expenses	**9.89**
Office and store supplies	.42
Advertising	1.01
Net loss on bad debts	.53
All other expenses	3.45
Total operating expenses	**18.49**
Net operating profit	**16.14**
Non-trading income	–
Non-trading expense	–
Net profit before deduction of proprietors' salaries, withdrawals and income tax	**16.14**

DEFINITIONS

PROFIT AND LOSS

Items

Net sales—the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Purchases—are taken at invoice value less returns and allowances, cash and trade discounts. Added to the cost of merchandise are the following expenses; duty, inward freight, express and trucking, alterations, etc.

Cost of goods sold—determined by adding the beginning inventory to net purchases and deducting the ending inventory.

Gross profit—the difference between "cost of goods sold" and "net sales".

Operating expenses—all costs incurred in the year's operation of a business, except the cost of merchandise. These include:

Salaries and wages (except for delivery employees)—payments to employees (wages, salaries, bonuses, payments for leave, payments in kind) before deduction of income tax or unemployment insurance. Proprietors' salaries or withdrawals are included in "net operating profit" in unincorporated store operations.

Delivery—includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.)

Taxes—business, property and water taxes and licenses. Taxes collected for remittance to governmental bodies and income tax are not included.

Insurance—annual proportion of premiums for insurance policies carried to protect the business.

Rent—payments for use of business premises.

Heat, light and power—cost applicable to year's operations.

Repairs and maintenance—costs incurred to keep fixed store assets operating efficiently (excludes capital expenditure).

Depreciation—Write-offs for the year of fixed assets used in the business only, or rates authorized by the Income Tax Department.

Store supplies—wrapping paper, office supplies, etc.

Advertising—displays, window dressing and sales promotion.

Net bad debt loss—estimated amount of uncollectable customers' accounts receivable less the amount recovered from former bad debts.

Other expenses—telephone, telegraph, postage, bank charges, legal, auditing and collection fees, etc.

Net operating profit—is the difference between "total operating expenses" and "gross profit" and in the case of unincorporated businesses includes proprietors' salaries and withdrawals before income tax deductions.

Occupancy—the cost of maintaining and occupying a place of business and includes: rent, business and property taxes, insurance, heat, light and power, repairs and maintenance and depreciation.

Non-trading income—interest earned, revenues from rentals, other activities, carrying charges and investments.

Non-trading expense—interest expense, rental expense, any other expense not pertaining to the business.

Ratios

Stock turnover—the number of times in a year that the average merchandise inventory is sold and replaced. The average of the beginning and ending inventories is divided into the cost of goods sold.

Note: Each of the following ratios are expressed as a percentage of "net sales". Consequently, it is permissible to make direct comparisons between these ratios. Each ratio represents a portion of the average net sales' dollar.

Gross profit ratio—sometimes referred to as the "gross margin ratio" or "mark-up" represents the difference between "cost of goods sold" and "net sales". It is the portion of the average sales' dollar from which the merchant meets his operating expenses and obtains his net operating profit.

Operating expense ratios—each item of expense, as well as "total operating expenses" when expressed as a percentage of "net sales" shows the amounts of the average sales' dollar required to operate the average business.

Net operating profit ratio—the remaining proportion of the average sales' dollar after "cost of goods sold" and "total operating expenses" have been deducted. From this amount, the percentage allowances for both proprietors' salaries and income tax should be deducted, in order to determine the percentage to sales of net returns on capital investment.